



# City of Sydney

## General Purpose Financial Statements

for the year ended 30 June 2017

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### Overview

(i) These financial statements are General Purpose Financial Statements and cover the operations for City of Sydney.

(ii) City of Sydney is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

(iii) All figures presented in these financial statements are presented in Australian currency.

(iv) These financial statements were authorised for issue by the Council on 23 October 2017. Council has the power to amend and reissue these financial statements.

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# City of Sydney

## General Purpose Financial Statements for the year ended 30 June 2017

### Understanding Council's financial statements

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#### Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

#### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

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

#### About the Councillor/Management Statement

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

#### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

This 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

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

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

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

Council's financial statements are required to be audited by external accountants. Commencing with the 2016/17 financial year, the NSW Auditor-General's mandate was extended to NSW councils. 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 by 31 October 2017.

## City of Sydney

### General Purpose Financial Statements for the year ended 30 June 2017

### 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:**

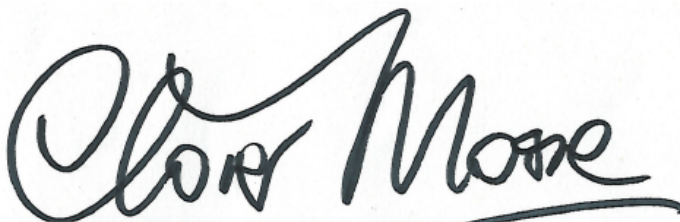
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

- present fairly the Council's operating result and financial position for the year, 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 23 October 2017.**



Clover Moore  
Lord Mayor



Jess Scully  
Councillor  
(Member - Audit, Risk and Compliance  
Committee)



Monica Barone  
Chief Executive Officer



Bill Carter  
Chief Financial Officer

## City of Sydney

## Income Statement

for the year ended 30 June 2017

Budget 2017	<sup>1</sup> \$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
309,898	Rates and annual charges	3a	312,730	300,216
104,523	User charges and fees	3b	106,368	102,001
14,537	Interest and investment revenue	3c	17,280	20,270
103,501	Other revenues	3d	148,097	113,043
12,916	Grants and contributions provided for operating purposes	3e,f	18,280	13,268
64,745	Grants and contributions provided for capital purposes	3e,f	119,144	127,066
Other income:				
–	Net gains from the disposal of assets	5	–	2,774
610,120	Total income from continuing operations		721,897	678,638
Expenses from continuing operations				
215,421	Employee benefits and on-costs	4a	219,314	217,895
–	Borrowing costs	4b	–	–
96,780	Materials and contracts	4c	107,384	100,541
109,463	Depreciation and amortisation	4d	112,572	110,488
110,787	Other expenses	4e	91,371	89,634
47,100	Contribution to transport for NSW – Light rail CBD to South East	4e	47,100	48,600
–	Net losses from the disposal of assets	5	158	–
579,550	Total expenses from continuing operations		577,898	567,159
30,570	Operating result from continuing operations		143,999	111,479
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
30,570	Net operating result for the year		143,999	111,479
Net Operating Result for the year excluding Grants and Contributions provided for Capital Purposes				
(34,175)			24,855	(15,587)
Net Operating Result for the year excluding Capital Grants and Contributions Income and Contribution to Light Rail				
30,570			71,955	33,013

<sup>1</sup> Original budget as approved by Council – refer Note 16



## City of Sydney

# Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>143,999</b>	<b>111,479</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	1,463,958	1,131,218
Gain (loss) on revaluation of I,PP&E (Trust Asset Reserve)	20b (ii)	—	1,215,813
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>1,463,958</b>	<b>2,347,030</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total comprehensive income for the year</b>		<b>1,607,956</b>	<b>2,458,509</b>

## City of Sydney

Statement of Financial Position  
as at 30 June 2017

\$ '000	Notes	Actual 2017	Restated <sup>1</sup> Actual 2016	Restated <sup>1</sup> Actual 1 Jul 2015
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6a	51,858	45,726	53,029
Investments	6b	240,990	288,145	342,094
Receivables	7	76,424	57,593	61,151
Inventories	8	822	1,009	696
Other	8	3,234	3,829	3,986
<b>Total current assets</b>		<b>373,328</b>	<b>396,302</b>	<b>460,956</b>
<b>Non-current assets</b>				
Investments	6b	222,885	236,043	229,265
Receivables	7	44,367	36,250	32,598
Infrastructure, property, plant and equipment	9	11,178,049	9,578,819	6,824,261
Investment property	14	268,165	223,275	204,090
Other	8	168	182	197
<b>Total non-current assets</b>		<b>11,713,634</b>	<b>10,074,569</b>	<b>7,290,411</b>
<b>TOTAL ASSETS</b>		<b>12,086,962</b>	<b>10,470,871</b>	<b>7,751,367</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	10	83,612	81,517	87,514
Income received in advance	10	9,444	8,369	8,126
Provisions	10	69,264	61,353	57,426
<b>Total current liabilities</b>		<b>162,320</b>	<b>151,239</b>	<b>153,066</b>
<b>Non-current liabilities</b>				
Provisions	10	21,745	24,691	23,201
<b>Total non-current liabilities</b>		<b>21,745</b>	<b>24,691</b>	<b>23,201</b>
<b>TOTAL LIABILITIES</b>		<b>184,065</b>	<b>175,930</b>	<b>176,267</b>
<b>Net assets</b>		<b>11,902,897</b>	<b>10,294,941</b>	<b>7,575,100</b>
<b>EQUITY</b>				
Retained earnings	20	3,668,401	3,524,402	3,132,370
Revaluation reserves	20	8,234,496	6,770,538	4,442,730
Council equity interest		11,902,897	10,294,941	7,575,100
<b>Total equity</b>		<b>11,902,897</b>	<b>10,294,941</b>	<b>7,575,100</b>

<sup>1</sup> Further information regarding restated financial results can be found at Note 20c

## City of Sydney

Statement of Changes in Equity  
for the year ended 30 June 2017

\$ '000	Notes	2017			2016		
		Retained earnings	Asset revaluation reserve (Refer 20b)	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Total equity
<b>Opening balance</b>		3,524,402	6,770,538	<b>10,294,941</b>	3,132,370	4,442,730	<b>7,575,100</b>
<b>a. Correction of prior period errors</b>	20 (c)	–	–	<b>–</b>	261,331	–	<b>261,331</b>
<b>Revised opening balance</b>		<b>3,524,402</b>	<b>6,770,538</b>	<b>10,294,941</b>	<b>3,393,701</b>	<b>4,442,730</b>	<b>7,836,431</b>
<b>b. Net operating result for the year</b>		<b>143,999</b>	<b>–</b>	<b>143,999</b>	<b>111,479</b>	<b>–</b>	<b>111,479</b>
<b>c. Other comprehensive income</b>							
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	1,463,958	<b>1,463,958</b>	–	1,131,218	<b>1,131,218</b>
– Revaluations: Trust Assets revaluation reserve	20b (ii)	–	–	<b>–</b>	–	1,215,813	<b>1,215,813</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>1,463,958</b>	<b>1,463,958</b>	<b>–</b>	<b>2,347,030</b>	<b>2,347,030</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>143,999</b>	<b>1,463,958</b>	<b>1,607,956</b>	<b>111,479</b>	<b>2,347,030</b>	<b>2,458,509</b>
<b>d. Transfers between equity</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>19,222</b>	<b>(19,222)</b>	<b>–</b>
<b>Equity – balance at end of the reporting period</b>		<b>3,668,401</b>	<b>8,234,496</b>	<b>11,902,897</b>	<b>3,524,402</b>	<b>6,770,538</b>	<b>10,294,941</b>

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



## City of Sydney

Statement of Cash Flows  
for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<u>Receipts:</u>				
309,898	Rates and annual charges		318,075	299,628
103,673	User charges and fees		125,318	117,034
14,537	Investment and interest revenue received		18,540	20,780
75,661	Grants and contributions		85,244	73,757
–	Bonds, deposits and retention amounts received		17,005	14,214
102,643	Other receipts from Operating Activities		117,965	133,189
<u>Payments:</u>				
(215,421)	Employee benefits and on-costs		(217,991)	(211,628)
(94,375)	Materials and contracts		(130,562)	(103,997)
–	Bonds, deposits and retention amounts refunded		(8,951)	(13,218)
(158,587)	Other payments for Operating Activities		(166,875)	(173,069)
<b>138,029</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>157,768</b>	<b>156,690</b>
<b>Cash flows from investing activities</b>				
<u>Receipts:</u>				
113,684	Sale/Redemption of investment securities		652,500	531,500
73,665	Sale of infrastructure, property, plant and equipment		1,982	17,115
<u>Payments:</u>				
–	Purchase of investment securities		(591,996)	(484,089)
(1,435)	Purchase of investment property		(169)	(1,859)
(333,912)	Purchase of infrastructure, property, plant and equipment		(213,953)	(226,660)
<b>(147,999)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(151,635)</b>	<b>(163,993)</b>
<b>Cash flows from financing activities</b>				
<u>Receipts:</u>				
Nil				
<u>Payments:</u>				
Nil				
<b>(9,969)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,132</b>	<b>(7,303)</b>
41,182	Plus: cash and cash equivalents – beginning of year	11a	45,726	53,029
<b>31,213</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>51,858</b>	<b>45,726</b>
Additional Information:				
358,000	plus: Investments on hand – end of year	6b	463,876	524,187
<b>389,213</b>	<b>Total cash, cash equivalents and investments</b>		<b>515,734</b>	<b>569,913</b>
Please refer to Note 11 for information on the following:				
– Non-cash financing and investing activities				
– Financing arrangements				

# City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

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## CITY OF SYDNEY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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### Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1. Basis of preparation

These general purpose financial statements have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board;
- The Local Government Act 1993 and Regulations, and
- The Local Government Code of Accounting Practice and Financial Reporting. City of Sydney (Council) is a not for profit entity for the purpose of preparing the financial statements.

These financial statements encompass all business and non-business operations which Council controls and have been prepared on the accrual basis of accounting.

#### *New and amended standards adopted by Council*

AASB 124 Related Party Disclosures was adopted during the year and has resulted in the disclosures in note 28 being added to the financial statements. AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations was adopted during the year and had no impact on the reporting financial position or performance of Council.

#### *Early adoption of standards*

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

Refer to section 29 for a summary of standards with future operative dates.

#### *Basis of accounting - 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 at fair value through profit or loss, employee leave entitlements shown at the present value of future cash flows, and certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

#### *Significant accounting estimates and judgements*

The preparation of financial statements requires the use of certain significant 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 entity and that are believed to be reasonable under the circumstances.

#### *Significant 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 are set out below.

- (i) Estimated fair values of investment properties.
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated determination of infringement charges under the Parking Enforcement Agreement.
- (iv) Estimated employee benefits.

- *Significant judgements in applying the entity's accounting policies*

*(i) Impairment of Receivables*

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

## **2. The Local Government Reporting Entity and Principles of consolidation**

Council has its principal business office at Town Hall House, 456 Kent Street, Sydney, NSW 2000, Australia. Council is empowered by the New South Wales Local Government Act 1993 and its Charter is specified in Section 8 of the Act.

A description of the nature of Council's operations and its principal activities are provided in Note 2 of this report.

These General Purpose Financial Statements incorporate the assets and liabilities of the Council for the financial period ended on 30 June 2017. In the process of reporting on the local government as a single unit, all transactions and balances between distinct Council activities (for example, loans and transfers) have been eliminated.

### *2.1 The Consolidated Fund*

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (as amended), all money and property received by Council is held in Council's Consolidated Fund unless it is required to be held in Council's Trust Fund. The Consolidated Fund and any other entities through which Council controls resources to carry on its functions, including reserve trusts relating to Crown reserves, have been included in the financial statements forming part of this report.

### *2.2 The Trust Fund*

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), separate and distinct Trust Funds are 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.

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

### *2.3 Interests in other entities*

Council did not at any time for the years presented have an interest in any subsidiaries, joint arrangements, joint ventures or associates.

## **3. Revenue recognition**

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

### *3.1 Rates and Annual Charges*

The rating period and reporting period for the Council coincide. Accordingly, all rates levied for the year are recognised as revenues. Uncollected rates are recognised as receivables after providing for amounts due from unknown owners, postponed rates and doubtful rates for properties on leased Crown Land in accordance with the requirements of the Local Government Act 1993. A provision for impairment on rates receivables for all other rates has not been established, as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

### 3.2 Grants, Contributions and Donations

Grants, contributions and donations (in cash or in kind) are recognised as revenues when Council obtains control over the assets comprising the contributions. Control over granted assets is normally obtained upon their receipt. When notification has been received that a grant has been secured and Council acts in reliance of that notification, control is deemed at that time.

Revenue from contributions (including developer contributions under Voluntary Planning Agreements) is recognised when the Council either obtains control of the contribution or the right to receive it, (i) it is probable that the economic benefits comprising the contribution will flow to the Council and (ii) the amount of the contribution can be measured reliably. Yet to be received contributions over which Council has control are recognised as receivables.

Where grants, contributions and donations 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 remain undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

### 3.3 Contributions under Section 94 of the Environmental Planning and Assessment (EPA) Act 1979

Council has obligations to provide facilities from contributions required from developers under the provisions of s.94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council (or when secured via cash deposit or bank guarantee), due to the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

These contributions may be expended only for the purposes for which the contributions were required, but Council may, within each area of benefit, apply contributions according to the priorities established in the relevant contributions plans and accompanying works schedules.

Contributions plans adopted by Council are available for public inspection free of cost.

### 3.4 User charges and fees

User charges and fees are recognised as revenue when the service has been provided, when the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

### 3.5 Sale of infrastructure, property, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

### 3.6 Interest and rents

Interest and rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

### 3.7 Infringement charges and parking fees

Parking fees are recognised as revenue when the service has been provided or the payment is received, whichever first occurs. Infringement charges are recognised as revenue when the penalty has been applied to the extent of expected recovery determined in accordance with past experience.

### 3.8 Environmental Upgrade Agreement receipts

Payments received in respect of principal and interest repayments under agreements made in accordance with *Local Government Amendment (Environmental Upgrade Agreements) Act 2010* are not recognised as revenue.

**4. Cash and cash equivalents**

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, if any, are shown within borrowings in current liabilities on the balance sheet.

Short-term, highly liquid investments are valued at market value in accordance with the policy in Note 1(6). All revenue and changes in market values are recognised in the income statement.

**5. Policy on internal and external restrictions on cash, cash equivalents and investments –**

Cash, cash equivalents and investments are restricted for prudent financial management purposes as follows:

**Employee Leave Entitlements** - 10% of the employee leave entitlement provision is set aside to fund extraordinary movements of staff. Normal annual payments of leave entitlements are funded from operating income.

**Public Liability Insurance** - Cash has been restricted for 100% of the provision.

**Workers Compensation Insurance** – In accordance with actuarial advice, Council restricts funds for 100% of the provision, plus an additional 'prudent margin' (in order to meet the requirements of the State Insurance Regulatory Authority, SIRA).

**Domestic Waste** - Any cash surplus from operations is held as a restricted asset to fund future capital expenditure or process improvements to the Domestic Waste collection business.

**Performance Bond Deposits** - All security deposits are held as restricted funds.

**Commercial Properties** – Funds that are surplus to requirements, set aside to reinvest and continue the revenue stream from and maintain diversification of Council's large commercial and investment property portfolio.

**Unexpended Grants** - 100% of cash grants received not spent during the year are treated as restricted funds.

**Developer Contributions** – 100% of cash Developer Contributions levied under Section 94, Section 61, Bonus Floor Space scheme and Voluntary Planning Agreements (including the Developer Rights Scheme for Green Square Town Centre) received but not yet expended in accordance with the applicable deed or contributions plan.

**Contributions – Capital Works** – 100% of cash contributions provided to Council by third parties that are yet to be expended on the project/s for which they were provided.

**Stormwater Management** – Funds received through the stormwater levy are set aside for various structural and non-structural programs used to reduce urban stormwater pollution. Unspent funds are held as restricted assets.

**City Centre Transformation** – Monies set aside to meet future contributions to the State Government in respect of the future transformation of George Street into a shared pedestrian zone incorporating light rail.

**Green Infrastructure** – Monies set aside for implementing green infrastructure projects including co/trigeneration plants, water recycling and evacuated waste systems to deliver enhanced environmental benefits to the organisation and community.

**Green Square** – Monies set aside in anticipation of Green Square infrastructure not funded by developer contributions or grant funding.

**Renewable Energy** – Monies set aside to develop renewable energy for the organisation that can be derived from wind, solar or geo-thermal sources.

**Community Facilities** – Cash set aside for the future acquisition or development of property to improve community spaces or replacement facilities that meet community needs at that time.

**Operational Facilities** – Cash set aside for the future acquisition or development of properties to supplement or replace buildings within the current operational building assets portfolio that provide infrastructure for the operation of Council's services.



**Infrastructure Contingency** – 100% of monies are set aside for the funding of urgent and expensive rectification of historic buildings and ageing infrastructure (e.g. stormwater).

**Public Roads** – In accordance with Section 43 (4) of the Roads Act (NSW) 1993, proceeds from the sale of (former) public road are set aside for the acquisition of land for public roads, and/or carrying out works on public roads.

**Affordable and Diverse Housing** – Income receipts dedicated by Council for the purposes of contributing towards the delivery of affordable and/or diverse housing are set aside for future projects and initiatives as endorsed by Council.

## 6. Investments and other financial assets

### 6.1 Classification

Council classifies its investments in the following categories:

- Financial assets at fair value through profit or loss,
- Loans and receivables,
- Held-to-maturity investments, and
- Available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

#### *(i) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are designated in that manner at the time of acquisition. Their performance is evaluated through documented risk management strategies and policies and is reported to Council in accordance with those policies. The assets are acquired on the basis of their financial return over the term to maturity, but are made available for sale where the combination of the realised fair value and return on reinvested proceeds will deliver a return greater than can be achieved by holding the original asset to maturity. Derivatives are not acquired unless they are required as hedges. Assets in this category are classified within current assets as either cash equivalents where the original maturity is 90 days or less, or as investments where the remaining maturity is up to 12 months in the future. Where the remaining maturity exceeds 12 months, investments are classified as non-current assets.

#### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

#### *(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

#### *(iv) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Council did not at any time for the years presented hold any available-for-sale financial assets.

### 6.2 Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

### 6.3 Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

### 6.4 Fair value estimation – financial instruments

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date.

The fair value of financial instruments that are not traded in an active or orderly market is determined using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, reference to credible market information, discounted cash flow analysis, and option pricing models providing indicative prices making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### 6.5 Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

### 6.6 Investment Policy and Strategy

Council has an approved investment policy complying with Section 625 of the Local Government Act and Section 212 of the Local Government (General) Regulation 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing council funds.

The policy is supported by a documented strategy which is reviewed at least annually and which outlines the strategic investment direction for the future in line with the policy and in accordance with Council's liquidity needs in the short, medium and long-terms.

## 7. Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Receivables are generally due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance for impairment of receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying

amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within Other Expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Non-current receivables represent unconditional future entitlements to works in kind for which construction certificates have been issued and are only recognised once secured by bank guarantees, security deposits or other similar forms of security.

## 8. Inventories

Council holds inventories for consumption for the purpose of providing works and services. There is no objective of sale for such items. Council values these items at cost, assessed for loss of service potential. Where appropriate, Council writes the value down accordingly.

Council does not hold any land inventories for re-sale.

## 9. Infrastructure, property, plant and equipment

### 9.1 Valuation of assets

Council's assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government. Fair value estimations are determined in accordance with the policy detailed at Section 23 of this Note, *Fair Value Estimation*.

At balance date the following classes of infrastructure, property, plant and equipment were stated at their fair value:

- Operational land (external valuation)
- Buildings (including buildings subject to long-term leases) – Specialised/Non-Specialised (external valuation)
- Plant and equipment (internal valuation)
- Land under roads (internal valuation)
- Road assets – roads, bridges and footpaths (internal valuation)
- Drainage assets (internal valuation)
- Community land – Council Owned (internal valuation)
- Community land – Crown and Third Party-Owned (internal valuation)
- Land improvements (internal valuation)
- Other structures - Trees (internal valuation)
- Other structures - Signs (internal valuation)
- Public Art (external valuation)
- Heritage Collection (external valuation)

Council assesses at each reporting date whether there is any indication that the carrying value of an asset or asset class may differ materially from that which would be determined if the asset or asset class were revalued at the reporting date. If any such indication exists, Council determines the fair value of the asset or asset class and re-values the asset or asset class to that amount.

Operational land that is either subject to development as Community land or is zoned by Council as Open space is classified as Community land.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised in 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.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Council considered that comparability with State organisations and other major councils was of greater significance than recognising the notional completeness of the asset class. Since Council had not recognised any land under roads before 1 July 2008 there was no requirement to de-recognise at 1 July 2008 such land against the opening balance of retained earnings. An estimated value of land under roads not recognised is disclosed in Note 9(a).

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment. Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

When assets are acquired through contributions, they are acquired at a value equal to the contractual contribution value, and if this value is different to its fair value at the time of acquisition, it is subsequently valued at fair value.

## 9.2 Depreciation of assets

Land, Trees, Road signs and Heritage assets are not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost over their estimated useful lives, as follows:

Bridges	100 years
Buildings (by component type):	
– Structure (Short Life component)	20 – 120 years
– Structure (Long Life component)	40 – 200 years
– Sub-Structure (Short Life component)	40 – 100 years
– Sub-Structure (Long Life component)	150 years
– Roof (Short Life component)	10 – 100 years
– Roof (Long Life component)	100 – 150 years
– Fit-Out (Short Life component)	30 – 85 years
– Fit-Out (Long Life component)	100 years
– Services - Electrical (Short Life component)	20 – 90 years
– Services - Electrical (Long Life component)	75 – 200 years
– Services - Fire (Short Life component)	5 – 25 years
– Services - Fire (Long Life component)	20 – 50 years
– Services - Hydraulic (Short Life component)	20 – 90 years
– Services - Hydraulic (Long Life component)	75 – 200 years
– Services - Mechanical (Short Life component)	5 – 65 years
– Services - Mechanical (Long Life component)	40 – 100 years
– Services - Security (Short Life component)	5 – 25 years
– Services - Lift/Transport (Short Life component)	30 – 130 years
– Services - Lift/Transport (Long Life component)	75 – 200 years
– Services – Floor Coverings (Short Life component)	3 – 50 years
Computer Equipment	4 years
Drainage	100 years
Footpaths	30 – 50 years
Furniture & Fittings	5 – 10 years
Kerbs & Gutters	50 – 150 years
Library Resources	3 – 10 years
Office Equipment	5 years
Other Structures	25 – 50 years
Parking Meters	7 years
Parks & Open Space Assets	15 – 50 years
Plant & Equipment	3 – 20 years
Public Art	100 years
Roads – Lower Strata	300 years
Roads – Upper Strata	25 – 100 years
Street Furniture	20 years
Vehicles & Road-making Equipment	7 years
Bulk Earthworks (Lower Road Base)	Infinite

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

### 9.3 Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment. Assets that are subject to amortisation are reviewed 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.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by calculating the present value of the asset's expected future cash flows.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date. Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

### 9.4 Classification of property

Property assets are classified as follows:

- Operational – Property assets classified as operational are Council-occupied and Council-operated used for conducting Council operations.
- Community – Property assets classified as community are publicly accessible and are clearly identified as kept for use by the general public for community, cultural or recreational purposes.
- Investment – Property assets classified as investment are primarily held to earn rentals or for capital appreciation or both. Investment properties are disclosed as a separate category in the financial statements.

## 10. Investment properties

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by Council. Investment property is carried at fair value, representing open-market value determined annually by a member of the Australian Property Institute.

Revaluations are undertaken every year. Changes in fair values are recorded in the income statement as part of 'other income'.

In cases where properties are under construction for future use as investment properties, these properties are 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.

## 11. Non-current assets held for sale or resale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Plant and motor vehicles which are turned over on a regular basis, financial assets, and investment properties are exempted from this classification and are retained within their original respective asset classifications.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are, where applicable, presented separately from the other assets in the balance sheet.

## 12. Work In Progress

Work in progress is stated at the total costs expended on the capital works projects which are incomplete at balance date.

An impairment loss is recognised to the extent of any costs that may result in the estimated completion cost of any capital works project being in excess of its fair value at completion.

## 13. Payables

These amounts represent liabilities to external parties for goods and services received by Council prior to the end of the financial year which are unpaid. The amounts are unsecured and are normally paid within 30 days of initial recognition. Interest is not payable on these amounts.

## 14. Borrowings

Borrowings, if any, 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.

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.

Council did not at any time for the years presented have any borrowings.

## 15. 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.

Provisions are not recognised for future operating losses.

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

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

## 16. Employee Benefits

### 16.1 Salaries, Wages and Compensated Absences

Liabilities for wages and salaries and annual leave expected to be wholly settled within 12 months of the reporting date are recognised, as appropriate, in employee related payables and annual leave provision, in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for long service leave, preserved sick leave, gratuities and annual leave which is not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits and are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 reporting date on Commonwealth government bonds, with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.



The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

## 16.2 Superannuation

All employees of 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.

### *Defined benefit plans*

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the statement of financial position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels and experience of employee departures and periods of service.

However, when this information is not reliably available, 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 as they become payable.

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 AASB 119 *Employee Benefits*. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB 119, because the assets are pooled together for all Councils.

Council's share of any deficiency in the Scheme 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 any deficiency can be recognised in Council's accounts. Council does, however, disclose a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

### *Defined contribution 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.

## 17. Leases

Council has leases in the following categories:

### *17.1 Leases in which Council is lessor*

Leases of property where the Council has substantially transferred to the lessee all the risks and rewards of ownership are classified as finance leases. Finance lease receivables are raised at the inception of the leases in respect the present value of the aggregate of the minimum lease payments receivable under the leases and any guaranteed residual values. Each lease payment is allocated between the receivable and interest so as to achieve a constant rate on the receivable balance outstanding. The interest revenue is credited to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the receivable for each period.

In leases classified as finance leases where the terms and conditions relating to lease payments result in either the occurrence of payments or the quantum of the payments or both being determined based upon presently undeterminable future events and occurrences, finance lease receivables are only raised at the time when the lease payments are certain and determinable.

Leases of property where Council has substantially retained all the risks and rewards of ownership are classified as operating leases. Leased property assets are reflected on the statement of financial position as assets and lease income rentals are recognised as income on a straight-line basis over the terms of the leases.

### *17.2 Leases in which Council is lessee*

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is

allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. 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 Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor 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 terms of the leases.

#### **18. Provisions for close down and restoration costs and for environmental clean-up costs**

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down and restoration costs are a normal consequence of any service operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a borrowing cost.

Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within infrastructure, property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date. These costs are charged to the income statement and are recognised at the time a Remediation Action Plan (RAP) is produced. Movements in the environmental clean-up provisions are presented as an operating cost, except for the un-wind of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change. As a result there could be significant adjustments to the provision for close down and restoration and clean-up, which would affect future financial results.

#### **19. Budget information**

The Income Statement provides budget information on major income and expenditure items. Details of material budget variations (for income, expenditure and cash flows) are detailed in Note 16. Note 2 also provides budget information for revenues and expenses of each of Council's major activities. Budget figures provided are those approved by Council at the beginning of the financial year and do not reflect Council approved variations throughout the year.

Budget information in the Financial Statements is not subject to audit.

## 20. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where:

1. The amount of GST incurred, as a purchaser, that is not recoverable from the taxation authority (Australian Taxation Office) is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
2. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable. Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

In accordance with the provisions of A New Tax System (Goods and Services Tax) Act 1999 legislation, Council is required to account for GST under the 'accruals' method, and submits monthly returns to the Australian Taxation Office.

## 21. Insurance (including self-insurance)

Pursuant to Section 382 of the Local Government Act NSW 1993, Council has primary and excess layer insurance cover against Public Liability and Professional Indemnity Liability. Council carries a self-insured retention (deductible) on this policy and makes provision for its uninsured exposure in relation to claims outstanding.

Council's other significant insurance cover is its Industrial Special Risks Insurance. This policy covers Council's owned diverse property portfolio and leased properties, where required, together with contents and equipment in these properties. The deductible within this policy also reflects an acceptance of risk within reasonable commercial, financial and operational boundaries.

Council is a self-insurer, to a self-insured retention level, of its Workers' Compensation liability. To fulfil a condition of SIRA's NSW Workers' Compensation Self-Insurance licence, Council has Excess Employers Indemnity Insurance cover, which is unlimited in excess of Council's self-insured retention. Council's liability for worker's compensation is assessed annually by an actuary. In determining this assessment, the actuary incorporates major assumptions relating to discount rates, average weekly earnings and claims experience based on market data and actual levels of experience.

In addition to the above insurance coverage, Council has other classes of insurance covering risks such as Councillors' and Officers' Liability, General Property, Contract Works, Fidelity Guarantee, Hirers' and Authorised Users Liability etc.

## 22. Treatment of Parking Enforcement Agreement with NSW Police Force

Council has an agreement with NSW Police Force for the provision of parking enforcement services within the CBD. Under this agreement Council has agreed to pay NSW Police Force 50% of the net profits generated from the provision of the service. This payment is recognised as an operating expense within the income statement. Revenues from the issuing of infringement notices are shown as gross amounts. The value of infringements is determined by NSW Police Force.

Council does not recognise a receivable for all infringement notices at the time each notice is issued. The lack of certainty of collection precludes this accounting treatment. Council has applied a policy of recognising as a receivable that portion of infringement notices that are likely to be collected based on past experience in the collection of such notices.

## 23. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of non-current assets is determined as follows:

- Operational land and all buildings is determined by professionally qualified valuers:
  - from market-based evidence by appraisal, or
  - where there is no market-based evidence because of the specialised nature of the land or building and there is a lack of transactional evidence, an estimate using a replacement cost approach.
- Community land owned by Council (and Crown and third party-owned land) is valued on a replacement cost basis, using Valuer-General valuations of immediately adjacent properties. Where relevant, a 'discount' applied to reflect the inherent 'restrictions' on the land.
- Land under roads acquired after 1 July 2008 is valued as approximated by the average Valuer-General valuations of all land in the surrounding suburbs within the Local Government area.
- Public Art and the Heritage Collection is determined by professionally qualified valuers from market-based evidence by appraisal.
- Road assets, Drainage assets and Land improvements are determined by depreciated replacement cost based on existing asset replacement contracts.
- Other structures – Trees and Signs are determined by replacement cost based on existing asset replacement contracts.
- Plant and equipment and other assets are determined as approximated by depreciated historical cost.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value via indicative values for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

## 24. Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, this being the Council's operational cycle. In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months.

## 25. Comparative amounts

Comparative amounts included in the financial statements relate to the immediately preceding financial year. These figures have been reclassified, where necessary, on a basis consistent with the disclosure for current financial year.

## 26. Rounding of amounts

Amounts shown in the Financial Statements are in Australian currency and rounded to the nearest thousand dollars.

## 27. Crown Reserves and Controlled Preservation Assets

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 the reserves are recognised within Council's Income Statement.

These financial statements are consolidated financial statements for Council and the entities through which the Crown Reserves are controlled. The parent entity has not been deemed a separate reporting identity in accordance with AASB 10 as no specific users of that information were identified.

Other assets not owned by Council and which are not Crown Reserves but which come under Council's care and control for preservation purposes are also accounted for in the same manner as Crown Reserves. The operational control of these assets is based on maintaining and preserving these assets for the benefit and enjoyment of the community. Consequently, the assets are maintained and they are not 'consumed' in the traditional manner in the operational activities of Council. Currently, Customs House, which is owned by the Federal Government, is controlled by Council under a 60 year lease and is accounted for under this method.

## 28. Contribution to Transport For NSW (Light Rail – CBD to South East)

Under the terms of the *Light Rail Development Agreement* (the Agreement) between the City of Sydney and the NSW Government, the City will provide a \$220M contribution towards the delivery of the CBD and South East Sydney light rail project. Progress payments are to be made over a number of financial years, commensurate with agreed project milestones. Payments to Transport for NSW will be expensed to the Income Statement as they are made (refer note 4e). Additionally, under the terms of the Agreement, Council will receive completed assets from Transport for NSW at a future date. The exact timing, nature and value of these transfers is yet to be finalised, and therefore cannot be reliably measured. Assets will be recognised appropriately at the time of transfer to Council. The remaining (future year) balance of contribution payments is held as restricted cash (refer Note 6c).

## 29. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods ending on or before 30 June 2017. Council's assessment of the impact of these new standards and interpretations is set out below.

### (i) *AASB 9 Financial Instruments and associated statements (effective for 30 June 2018 financial statements)*

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both *business model* and *cash flow characteristics* tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Apart from Held-to-maturity term deposits, Council already values all other investments at fair value with the result that there will not be any financial impact for these developments.

The revisions also amend measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income. Council does not have any liabilities that are recorded on this basis and the new requirements will not have any financial impact.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); of full lifetime
- expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A financial impact will only arise if any investments become subject to impairment.

Available-for-sale investments will be classified as fair value through Other Comprehensive Income and will no longer be subject to impairment testing. Council does not value any investments on this basis.

**(ii) AASB 15 Revenue from contracts with customers and associated amending standards (effective for 30 June 2017 financial statements)**

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

**(iii) AASB ED 260 Income of Not-for-Profit Entities**

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard nor a date of applicability.

**(iv) AASB 16 - Leases**

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (i.e. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

**30. Authorisation for issue**

The financial statements were authorised for issue by the Council on 23 October 2017. Council has the power to amend and reissue the financial statements.

**31. Disclaimer**

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.



## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Globally competitive and innovative city	38,019	36,311	34,660	53,398	48,637	48,575	(15,379)	(12,325)	(13,915)	–	–	2,635	2,450
Leading environmental performer	1,807	1,580	1,375	80,358	79,955	78,387	(78,551)	(78,375)	(77,011)	485	1,014	225,079	221,649
Integrated transport for a connected city	75,558	77,834	73,230	78,459	78,095	76,159	(2,902)	(261)	(2,929)	3,114	4,557	1,059,250	1,173,460
City for walking and cycling	2,582	958	725	1,837	1,658	1,781	745	(700)	(1,056)	958	117	66,800	63,436
Lively and engaging city centre	70	19	168	911	616	831	(841)	(596)	(662)	–	–	117	114
Vibrant local communities and economies	15,701	15,225	19,861	106,389	102,307	98,943	(90,688)	(87,082)	(79,082)	3,298	3,846	6,855,187	6,718,333
Cultural and creative city	2,868	2,764	2,649	6,612	6,513	5,995	(3,745)	(3,749)	(3,346)	2	–	454	243
Housing for a diverse population	–	–	–	4,062	2,453	2,872	(4,062)	(2,453)	(2,872)	–	–	–	–
Sustainable development, renewal and design	76,507	133,041	138,371	37,582	38,714	36,060	38,925	94,327	102,311	–	–	12,556	3,139
Implementation through effective governance and partnerships	111,254	163,179	126,457	209,942	218,951	217,557	(98,687)	(55,772)	(91,100)	134	132	3,864,884	2,288,047
<b>Total functions and activities</b>	<b>324,367</b>	<b>430,912</b>	<b>397,497</b>	<b>579,550</b>	<b>577,898</b>	<b>567,159</b>	<b>(255,183)</b>	<b>(146,986)</b>	<b>(169,662)</b>	<b>7,992</b>	<b>9,666</b>	<b>12,086,962</b>	<b>10,470,871</b>
General purpose income <sup>1</sup>	285,753	290,985	281,141	–	–	–	285,753	290,985	281,141	8,446	5,617	–	–
<b>Operating result from continuing operations</b>	<b>610,120</b>	<b>721,897</b>	<b>678,638</b>	<b>579,550</b>	<b>577,898</b>	<b>567,159</b>	<b>30,570</b>	<b>143,999</b>	<b>111,479</b>	<b>16,438</b>	<b>15,283</b>	<b>12,086,962</b>	<b>10,470,871</b>

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2017

#### 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:**

##### **GLOBALLY COMPETITIVE AND INNOVATIVE CITY**

Activities include economic development, cultural events, tourism as well as other factors contributing to a global city that are not included under other activities, such as lifestyle, cultural diversity, adequate transport and affordable housing.

##### **LEADING ENVIRONMENTAL PERFORMER**

Activities comprise ecologically sustainable development including environmental projects and program development, cleansing and waste services, drainage and recycling.

##### **INTEGRATED TRANSPORT FOR A CONNECTED CITY**

Activities comprise advocacy for the State and Federal Governments to invest in a high quality world-class transport system that is well planned, efficient and integrated as an essential cornerstone of sustainable development. Additional services include planning and transport management, road and streetscape maintenance, inspection and parking.

##### **CITY FOR WALKING AND CYCLING**

Activities include providing alternative, active and sustainable means of transport to provide a bicycle-friendly environment and a pedestrian plan based on public space life studies. Activities are aimed at improving health and reducing greenhouse emissions and road congestion for the City.

##### **LIVELY AND ENGAGING CITY CENTRE**

Activities include the provision of more safe and attractive public spaces for people to enjoy themselves and to create more activities that enliven the City's streets and public spaces.

##### **VIBRANT LOCAL COMMUNITIES AND ECONOMIES**

Activities comprise planning activities, economic development, and the provision of parks and recreation areas for both local residents and daily visitors. Responsibilities include community development interaction, building strong and positive relationships and partnerships with community organisations and the provision of community facilities.

##### **CULTURAL AND CREATIVE CITY**

Activities comprise the provision of spaces for artists to work and show their wares, the use of public domain to make art more accessible to the public and the recognition and celebration of the traditional and living Aboriginal and Torres Strait Island culture.

##### **HOUSING FOR A DIVERSE POPULATION**

Activities include planning and facilitating partnerships and using planning controls to identify the character of the villages and provide guidance on what developments should look like. Planning controls are also used to guarantee a percentage of affordable housing units in large developments where relevant. Support is also given to State and Federal Government initiatives to expand affordable housing opportunities.

##### **SUSTAINABLE DEVELOPMENT RENEWAL AND DESIGN**

Activities comprise the use of planning and regulatory powers to set controls and targets for renewal and ensure that residential and commercial development is appropriate to its broader setting.

##### **IMPLEMENTATION THROUGH EFFECTIVE GOVERNANCE AND PARTNERSHIPS**

Activities comprise a commitment to work in partnership with government, business and community and to be open and accountable to the community that is served. The process includes aligning corporate planning and organisational structure through effective governance procedures in support of all activities.

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
<b>Ordinary rates</b>			
Residential		63,490	59,676
Business		204,722	199,336
<b>Total ordinary rates</b>		<b>268,212</b>	<b>259,012</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		42,573	39,329
Stormwater management services		1,945	1,875
<b>Total annual charges</b>		<b>44,518</b>	<b>41,204</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>312,730</b>	<b>300,216</b>

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific ‘actual use’ charges)			
Nil			
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation		16,881	14,690
Private works – section 67		7,313	6,415
Health inspections		1,780	1,500
<b>Total fees and charges – statutory/regulatory</b>		<b>25,974</b>	<b>22,605</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Child care		2,042	2,027
Advertising space income		7,364	6,784
Parking meter income		36,761	37,566
Parking station income		10,009	9,695
Recreation facilities hire		3,646	5,077
Venue hire		4,742	4,673
Workzone and filming fees		9,636	7,656
Other		6,193	5,919
<b>Total fees and charges – other</b>		<b>80,393</b>	<b>79,396</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>106,368</b>	<b>102,001</b>

## City of Sydney

# Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges		336	326
– Interest earned on investments (interest and coupon payment income)		16,751	19,704
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		148	(1,671)
– Recovery of prior year losses - Collateralised Debt Obligations (CDOs)		45	1,911
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>17,280</b>	<b>20,270</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		336	326
General Council cash and investments		4,093	3,430
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		2,571	3,206
– Planning agreements/bonus floorspace levy		478	617
Domestic waste management operations		576	538
Stormwater Management Service Charge		11	22
Specific Purpose Unexpended Grants		2	11
<b>Restricted investments/funds – internal:</b>			
Internally restricted assets		9,213	12,119
<b>Total interest and investment revenue recognised</b>		<b>17,280</b>	<b>20,270</b>
<b>(d) Other revenues</b>			
Fair value increments – investment properties	14	44,721	17,326
Rental income – investment properties	14	17,809	17,169
Rental income – other council properties		49,662	42,106
Ex gratia rates		685	636
Fines – enforcement of regulations		33,205	31,652
Sponsorship and donations		1,114	1,155
Other		901	2,999
<b>TOTAL OTHER REVENUE</b>		<b>148,097</b>	<b>113,043</b>

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	6,233	4,021	–	–
Financial assistance – local roads component	1,831	1,201	–	–
Pensioners' rates subsidies – general component	382	396	–	–
<b>Total general purpose</b>	<b>8,446</b>	<b>5,617</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Child care	993	925	–	–
Community and recreation	1,814	1,836	–	–
Environmental protection	545	585	–	2,405
Library	516	494	–	–
Transport (roads to recovery)	1,556	–	–	1,615
Transport (other roads and bridges funding)	1,487	1,497	1,082	310
<b>Total specific purpose</b>	<b>6,910</b>	<b>5,337</b>	<b>1,082</b>	<b>4,329</b>
<b>Total grants</b>	<b>15,356</b>	<b>10,954</b>	<b>1,082</b>	<b>4,329</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	11,398	6,961	–	4,019
– State funding	3,958	3,993	1,082	310
	<b>15,356</b>	<b>10,954</b>	<b>1,082</b>	<b>4,329</b>
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 93F – contributions using planning agreements	–	–	38,056	23,330
S 94 – contributions towards amenities/services	–	–	46,075	47,279
S 61 – fixed development consent levies	–	–	18,992	11,961
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>103,124</b>	<b>82,570</b>
<b>Other contributions:</b>				
Asset Dedications (recognised at fair value)	–	–	11,689	38,461
External contributions to capital projects	–	–	3,249	1,706
Other	2,923	2,314	–	–
<b>Total other contributions</b>	<b>2,923</b>	<b>2,314</b>	<b>14,938</b>	<b>40,166</b>
<b>Total contributions</b>	<b>2,923</b>	<b>2,314</b>	<b>118,062</b>	<b>122,737</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>18,280</b>	<b>13,268</b>	<b>119,144</b>	<b>127,066</b>



## City of Sydney

# Notes to the Financial Statements

for the year ended 30 June 2017

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

	Actual 2017	Actual 2016
\$ '000		
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	164,808	148,460
Add: grants and contributions recognised in the current period but not yet spent:	82,072	83,449
Less: grants and contributions recognised in a previous reporting period now spent:	(110,136)	(67,101)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(28,064)</b>	<b>16,347</b>
<b>Unexpended and held as restricted assets</b>	<b>136,743</b>	<b>164,808</b>
Comprising:		
– Specific purpose unexpended grants	–	117
– Developer contributions	136,743	164,691
	<b>136,743</b>	<b>164,808</b>

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		179,187	175,325
Travel expenses		269	313
Employee leave entitlements (ELE)		19,689	20,987
Superannuation – defined contribution plans		11,851	11,600
Superannuation – defined benefit plans		6,472	8,089
Workers' compensation insurance		3,980	3,886
Fringe benefit tax (FBT)		1,025	601
Training costs (other than salaries and wages)		1,704	1,889
Other		1,717	1,652
<b>Total employee costs</b>		<b>225,893</b>	<b>224,342</b>
Less: capitalised costs		(6,580)	(6,447)
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>		<b><u>219,314</u></b>	<b><u>217,895</u></b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>1,763</b>	<b>1,800</b>

**(b) Borrowing costs****(i) Interest bearing liability costs**

Nil

**(ii) Other borrowing costs**

Nil

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		5,207	5,070
Contractor and consultancy costs			
– Building and facilities management		23,575	21,616
– City infrastructure management		8,328	8,217
– Parks management		15,631	15,606
– Waste disposal, recycling and graffiti removal**		21,278	21,416
– Project costs and minor contracts		17,466	11,242
– Consultancies		4,003	4,142
Auditors remuneration <sup>(1)</sup>		198	143
Legal expenses:			
– Legal expenses: planning and development		1,141	1,091
– Legal expenses: other		873	1,630
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		851	901
Asset maintenance and minor purchases		7,368	7,695
Other		2,720	2,901
<b>Total materials and contracts</b>		<b>108,640</b>	<b>101,670</b>
Less: capitalised costs		(1,256)	(1,129)
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>107,384</b>	<b>100,541</b>
** Refer to footnote 1 shown at Note 4e - an adjustment has been made for the periods shown, relating to waste tipping charges, and the associated State Government Section 88 waste levy. Contractor waste tipping fees are included above.			
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		198	–
<b>Total Auditor-General remuneration</b>		<b>198</b>	<b>–</b>
b. During the year, the following fees were incurred for services provided by the Council's other auditors:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		–	116
– Professional Services - Review of budget process for non-residential roll		–	28
<b>Total remuneration of other Council's Auditors</b>		<b>–</b>	<b>143</b>
<b>Total Auditor remuneration</b>		<b>198</b>	<b>143</b>
<b>2. Operating lease payments are attributable to:</b>			
Buildings		834	872
Other		17	29
		<b>851</b>	<b>901</b>

## City of Sydney

# Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		11,375	10,321
Office equipment		4,909	5,403
Furniture and fittings		4,301	4,761
Infrastructure:			
– Buildings – non-specialised		37,433	37,425
– Buildings – specialised		766	931
– Roads		26,675	29,077
– Stormwater drainage		2,798	2,698
– Open space/recreational assets		17,588	17,551
Other assets			
– Library books		1,332	1,318
– Poles and lighting		4,940	560
– Public art / open museum		457	445
<b>Total depreciation and amortisation costs</b>		<b>112,572</b>	<b>110,488</b>
<b>Impairment</b>			
Nil			
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b>112,572</b>	<b>110,488</b>

# City of Sydney

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		2,361	3,718
Bad and doubtful debts		140	216
Bank charges		1,499	1,302
Books and periodicals		139	136
Computer costs		6,943	6,401
Contributions/levies to other levels of government <sup>1</sup>		18,415	18,021
Councillor expenses – mayoral fee		206	199
Councillor expenses – councillors' fees		366	352
Councillors' expenses (incl. mayor) – other (excluding fees above) <sup>2</sup>		159	184
Donations, contributions and assistance to other organisations (Section 356)		15,763	11,010
Election expenses <sup>3</sup>		1,086	–
Event and project costs		15,684	16,176
Insurance		1,908	2,699
Land tax and water rates		1,863	2,080
Management fees		41	39
Other property related expenditure		447	559
Parking enforcement – payment to NSW government		2,999	3,715
Postage and couriers		1,248	1,417
Printing and stationery		1,751	2,246
Public domain enhancement contributions		54	1,473
Research and development		558	476
Security		1,768	2,010
Street lighting		4,394	4,673
Storage		557	568
Telephone and communications		2,555	2,340
Utilities		4,497	4,197
Other <sup>2</sup>		3,971	3,426
<b>OTHER EXPENSES</b>		<b>91,371</b>	<b>89,634</b>
Contribution to transport for NSW – Light rail CBD to South East <sup>4</sup>		47,100	48,600
<b>TOTAL OTHER EXPENSES</b>		<b>138,471</b>	<b>138,234</b>

<sup>1</sup> The line item **Contributions/levies to other levels of government** has been adjusted for the years shown. This item has previously included the full amount of waste disposal charges, incorporating contractor costs and the State Government s88 Waste Levy. The totals related to contractor fees are now shown at Note 4c; s88 levy totals included above: \$7.5M (2016/17) and \$7.6M (2015/16).

<sup>2</sup> During 2016/17, a classification issue was discovered, related to the Councillors' expenses - other line above. Included within this line item in 2015/16 (and prior years) were amounts unrelated to councillor expenses, specifically payments for salaries and wages under arrangements with the Central Sydney Planning Committee, Sydney Coastal Councils Group and a licensee arrangement (which is recovered via commercial rental). Having identified the misclassification, the relevant amounts are now included in the 'Other' line item above (\$502K total for 2016/17 and \$459K for 2015/16).

<sup>3</sup> Council's Election was held on Saturday 10 September 2016

<sup>4</sup> Refer to Note 1 (28) for details relating to the accounting treatment of Council's contribution to Transport for NSW for the delivery of light rail in the CBD and South East Sydney

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		–	14,639
Less: carrying amount of property assets sold/written off		(187)	(12,081)
<b>Net gain/(loss) on disposal</b>		<b>(187)</b>	<b>2,558</b>
<b>Infrastructure, Plant and equipment</b>			
Proceeds from disposal – plant and equipment		1,982	1,972
Less: carrying amount of plant and equipment assets sold/written off		(1,954)	(1,756)
<b>Net gain/(loss) on disposal</b>		<b>29</b>	<b>216</b>
<b>Financial assets *</b>			
Proceeds from disposal/redemptions/maturities – financial assets		652,500	531,500
Less: carrying amount of financial assets sold/redeemed/matured		(652,500)	(531,500)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(158)</b>	<b>2,774</b>

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		4,895	–	4,241	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		46,963	–	31,485	–
– Short-term deposits		–	–	10,000	–
<b>Total cash and cash equivalents</b>		<b>51,858</b>	<b>–</b>	<b>45,726</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		209,000	25,000	209,000	34,000
– Floating Rate Notes (maturity >3 months at purchase)		31,990	197,885	79,145	202,043
<b>Total investments</b>		<b>240,990</b>	<b>222,885</b>	<b>288,145</b>	<b>236,043</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>292,849</b>	<b>222,885</b>	<b>333,870</b>	<b>236,043</b>

<sup>1</sup> Those investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, cash equivalents and investments were  
classified at year end in accordance with  
AASB 139 as follows:**

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'		<b>51,858</b>	<b>–</b>	<b>45,726</b>	<b>–</b>
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**Investments****a. 'At fair value through the profit and loss'**

– 'Designated at fair value on initial recognition'	6(b-i)	31,990	197,885	79,145	202,043
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**b. 'Held to maturity'**

	6(b-ii)	209,000	25,000	209,000	34,000
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<b>Investments</b>		<b>240,990</b>	<b>222,885</b>	<b>288,145</b>	<b>236,043</b>
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Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

## Note 6c. Restricted cash, cash equivalents and investments

\$ '000		2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
<b>Total cash, cash equivalents and investments</b>		<b>292,849</b>	<b>222,885</b>	<b>333,870</b>	<b>236,043</b>
<b>attributable to:</b>					
External restrictions (refer below)		50,000	50,683	54,928	86,710
Internal restrictions (refer below)		129,155	172,203	196,729	149,332
Unrestricted		113,693	–	82,214	–
		<b>292,849</b>	<b>222,885</b>	<b>333,870</b>	<b>236,043</b>



## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Details of movements in restrictions</b>				
<b>External restrictions</b>				
Developer contributions – general	123,348	83,058	(128,338)	78,068
Specific purpose unexpended grants	117	–	(117)	–
Domestic waste management	17,499	41,994	(37,371)	22,121
Stormwater management	675	1,945	(2,127)	494
<b>Total external restrictions</b>	<b>141,638</b>	<b>126,997</b>	<b>(167,953)</b>	<b>100,683</b>
<b>Internal restrictions</b>				
Affordable and diverse housing fund	10,358	–	–	10,358
City centre transformation reserve	151,800	–	(47,100)	104,700
Community facilities reserve	15,456	–	–	15,456
Employees leave entitlement	6,518	2,227	(2,230)	6,516
Green infrastructure	28,793	–	(4,209)	24,584
Green square reserve	86,325	–	–	86,325
Infrastructure contingency	3,335	–	(534)	2,801
Performance cash bonds and retentions	14,379	17,002	(8,951)	22,430
Public liability insurance	810	–	(353)	457
Renewable energy reserve	10,745	–	(250)	10,495
Workers compensation	17,543	–	(306)	17,237
<b>Total internal restrictions</b>	<b>346,061</b>	<b>19,229</b>	<b>(63,932)</b>	<b>301,358</b>
<b>TOTAL RESTRICTIONS</b>	<b>487,699</b>	<b>146,226</b>	<b>(231,884)</b>	<b>402,041</b>

Details of External and Internal Restrictions are provided at Note 1

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		3,729	—	3,389	—
Interest and extra charges		176	—	154	—
User charges and fees		5,831	—	4,678	—
Accrued revenues					
– Interest on investments		3,181	—	4,656	—
– Other income accruals		34,445	—	12,902	18,700
Net GST receivable		8,579	—	2,612	—
Rental debtors		7,327	—	6,642	—
Outstanding works in kind contributions		14,309	44,367	23,793	17,550
<b>Total</b>		<b>77,577</b>	<b>44,367</b>	<b>58,826</b>	<b>36,250</b>
Rental debtors and User charges and fees:		(1,153)	—	(1,232)	—
<b>Total provision for impairment – receivables</b>		<b>(1,153)</b>	<b>—</b>	<b>(1,232)</b>	<b>—</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>76,424</u></b>	<b><u>44,367</u></b>	<b><u>57,593</u></b>	<b><u>36,250</u></b>
<b>Externally restricted receivables</b>					
Domestic waste management		625	—	626	—
Domestic waste management - extra charges		25	—	47	—
<b>Other</b>					
– Works receivable (developer contributions)		14,309	44,367	23,793	17,550
<b>Total external restrictions</b>		<b>14,959</b>	<b>44,367</b>	<b>24,466</b>	<b>17,550</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>61,464</b>	<b>—</b>	<b>33,128</b>	<b>18,700</b>
<b>TOTAL NET RECEIVABLES</b>		<b>76,424</b>	<b>44,367</b>	<b>57,593</b>	<b>36,250</b>

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current

(a) Inventories

Inventories at cost

Stores and materials

822

–

1,009

–

TOTAL INVENTORIES

822

–

1,009

–

(b) Other assets

Prepayments

3,219

–

3,815

–

Future benefits – shared services relating to Sutherland animal shelter

14

168

14

182

TOTAL OTHER ASSETS

3,234

168

3,829

182

**Restricted assets**

There are no restrictions applicable to the above assets.

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 9a. Infrastructure, property, plant and equipment (I,P,P &amp; E)

Asset class  \$ '000	as at 30/6/2016			Asset movements during the reporting period									as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tírs from/(to) investment properties	Revaluation decrements to equity (ARR) <sup>3</sup>	Revaluation increments to equity (ARR) <sup>4</sup>	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	269,921	–	269,921	52,137	128,570	–	–	(128,568)	–	(116)	–	–	321,945	–	321,945
Plant and equipment	86,423	43,461	42,962	7,587	531	(1,274)	(11,375)	221	–	–	–	–	85,109	46,456	38,653
Office equipment	28,041	18,490	9,551	2,286	317	–	(4,909)	–	–	–	–	–	28,433	21,188	7,245
Furniture and fittings	69,675	44,461	25,214	573	63	–	(4,301)	180	–	–	–	–	63,806	42,076	21,730
<b>Land:</b>															
– Operational land	534,457	–	534,457	–	40,752	–	–	–	–	–	–	937,073	1,512,282	–	1,512,282
– Community land	6,230,339	–	6,230,339	–	9,070	–	–	–	–	–	–	–	6,239,409	–	6,239,409
– Land under roads (post 30/6/08)	140,973	–	140,973	–	2,619	–	–	12,198	–	–	–	–	155,790	–	155,790
Other structures – trees	88,634	–	88,634	–	4	–	–	743	–	–	–	26,124	115,505	–	115,505
Other structures – poles and lights	95,776	39,559	56,217	–	28	–	(4,940)	6,669	–	–	–	–	102,472	44,499	57,973
Other structures – signs	9,620	–	9,620	–	–	–	–	4,881	–	–	–	–	14,501	–	14,501
<b>Infrastructure:</b>															
– Buildings – non-specialised	1,594,754	937,735	657,019	1,232	2,278	(187)	(37,433)	53,915	150	–	–	657,114	1,631,467	297,378	1,334,089
– Buildings – specialised	45,180	25,731	19,448	–	3	–	(766)	684	(284)	–	–	11,962	43,224	12,176	31,048
– Roads, bridges, footpaths, kerbs	1,657,526	573,362	1,084,165	–	235	(583)	(26,675)	26,162	–	–	(274,569)	67,882	1,595,293	718,677	876,616
– Stormwater drainage	230,767	72,986	157,781	–	–	–	(2,798)	4,829	–	–	–	38,372	304,776	106,593	198,184
– Open space/recreational assets	433,992	221,920	212,073	–	341	(97)	(17,588)	14,271	134	–	–	–	448,097	238,963	209,134
<b>Other assets:</b>															
– Heritage collections	6,864	–	6,864	–	166	–	–	–	–	–	–	–	7,031	–	7,031
– Library books	10,477	8,000	2,478	–	1,308	–	(1,332)	–	–	–	–	–	9,442	6,988	2,454
– City art	38,563	7,461	31,102	–	–	–	(457)	3,814	–	–	–	–	42,377	7,918	34,458
<b><u>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT</u></b>	<b>11,571,984</b>	<b>1,993,165</b>	<b>9,578,819</b>	<b>63,814</b>	<b>186,286</b>	<b>(2,140)</b>	<b>(112,572)</b>	<b>–</b>	<b>–</b>	<b>(116)</b>	<b>(274,569)</b>	<b>1,738,527</b>	<b>12,720,960</b>	<b>1,542,911</b>	<b>11,178,049</b>

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

2. Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

3. Refer to Note 20e.

*Community land:* accounting estimates were updated in relation to the valuation of Crown Land parcels (recognised within Community Land).

*Infrastructure - Roads, Bridges, Footpaths, Kerbs:* a change in accounting estimate resulted in a valuation decrease for road base assets. The remaining sub-classes of infrastructure assets (road surface, footways, kerbs, bridges) were revalued upwards.

4. Refer to Note 20b & c for further details relating to asset classes revalued in 2016/17 financial year.

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 9a. Infrastructure, property, plant and equipment

- (A) Completed capital works projects transferred from Work in Progress to applicable asset classes comprise renewal, upgrade and expansion (new) works.
- (B) The Community Land Class includes a number of assets not under the legal ownership of Council (valued at \$4,847M, post-revaluation in 2016). Ownership of these assets remains with the government and/or 3rd party entities, while Council continues to retain both operational control of the assets and responsibility for the maintenance of improvements thereon. Council includes these land assets in the Statement of Financial Position, as well as the cost of any Council funded related improvements, on the basis of its financial rights and responsibilities in controlling and maintaining the assets. Revocation of such control by the State Government is regarded as extremely unlikely given the history of Crown Reserves, and Council's history of operational care and control over the assets. Commonwealth Government owned assets are subject to return at the end of long-term lease periods.

In the case of Crown Reserve lands, Reserve Trusts were created for administrative purposes under section 92 of the Crown Lands Act 1989 ("the Act") for a large proportion of these Crown Reserves. Prior to the enactment of the Act, Council was Reserve Trustee of these assets and upon enactment, section 5A of the Schedule 8 (Savings, transitional and other provisions) of the Act has appointed Council Reserve Trust Manager of the related Reserve Trusts created under section 92.

- (C) Refer to Note 1.9.1 - Council has elected to bring to account only land under roads acquired post 1 July 2008. The fair value of Land Under Roads acquired before 1 July 2008 is \$11,808M (2016:\$11,808M).
- (D) Council received assets for nil consideration during 2016-17, which were brought to account at fair value. These assets arose through Voluntary Planning Agreements (VPAs) with developers. Contributed assets for which developers received a contributions "credit" are shown at note 17. Dedications of land for which developers did not receive a contribution credit totalled \$11.7M, as shown at note 3f. For 2016-17, \$9.1M of the total related to dedications of community land, and \$2.6M of land under roads.

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Domestic waste management</b>						
Plant and equipment	7,814	2,613	5,201	6,967	1,919	5,048
Land						
– Operational land	29,226	–	29,226	6,910	–	6,910
Buildings	7,766	6,052	1,715	6,631	5,312	1,319
<b>Total DWM</b>	<b>44,806</b>	<b>8,664</b>	<b>36,142</b>	<b>20,508</b>	<b>7,231</b>	<b>13,277</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>44,806</b>	<b>8,664</b>	<b>36,142</b>	<b>20,508</b>	<b>7,231</b>	<b>13,277</b>

#### Note 9c. Infrastructure, property, plant and equipment – current year impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Creditors - Goods and services		16,382	—	23,321	—
Accrued expenses:					
– Interest on bonds and deposits		5	—	6	—
– Other expenditure accruals		38,269	—	38,497	—
Security bonds, deposits and retentions		22,425	—	14,379	—
Accrued employee costs		6,083	—	4,805	—
Other		449	—	510	—
Total payables		83,612	—	81,517	—
Income received in advance					
Payments received in advance		9,444	—	8,369	—
Total income received in advance		9,444	—	8,369	—
Borrowings					
Nil					
Provisions					
Employee benefits:					
Annual leave		13,678	—	13,177	—
Sick leave		4,534	4,016	4,477	4,785
Long service leave		39,741	3,029	39,102	3,235
Gratuities		101	56	193	212
Sub-total – aggregate employee benefits		58,054	7,102	56,949	8,232
Self insurance – workers compensation		3,547	7,944	2,565	9,025
Self insurance – public liability		318	139	334	476
Public holidays		321	—	266	—
Asset remediation/restoration (future works)	26	—	4,000	—	4,000
Superannuation		—	2,561	—	2,958
Other		7,024	—	1,238	—
Total provisions		69,264	21,745	61,353	24,691
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		162,320	21,745	151,239	24,691

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Domestic waste management		2,002	–	2,655	–
Liabilities relating to externally restricted assets		2,002	–	2,655	–
Internally restricted assets					
Performance Cash Bonds, Deposits & Retentions		22,425	–	14,379	–
Public Liability Insurance		318	139	334	476
Workers Compensation		3,547	7,944	2,565	9,025
Liabilities relating to internally restricted assets		26,290	8,083	17,277	9,501
Total liabilities relating to restricted assets		28,292	8,083	19,933	9,501
Total liabilities relating to unrestricted assets		134,028	13,663	131,306	15,190
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		162,320	21,745	151,239	24,691

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

**(ii) Current liabilities 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.

Provisions – employees benefits	37,566	38,839
Performance Cash Bonds, Deposits & Retentions	7,706	1,161
	<b><u>45,272</u></b>	<b><u>40,000</u></b>



## City of Sydney

# Notes to the Financial Statements

for the year ended 30 June 2017

## Note 10b. Description of and movements in provisions

Class of provision	2016	2017				Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	13,177	13,056	(12,555)	—	—	13,678
Sick leave	9,262	1,168	(1,751)	(128)	—	8,551
Long service leave	42,338	8,216	(6,585)	(1,198)	—	42,771
Public holidays	266	54	—	—	—	321
Gratuities	405	—	(248)	—	—	157
Workers Compensation	11,590	3,885	(3,984)	—	—	11,491
Public Liability	810	(353)	—	—	—	457
Superannuation	2,958	—	(398)	—	—	2,561
Asset remediation	4,000	—	—	—	—	4,000
Other	1,238	5,786	—	—	—	7,024
<b>TOTAL</b>	<b>86,044</b>	<b>31,812</b>	<b>(25,521)</b>	<b>(1,326)</b>	<b>—</b>	<b>91,009</b>

- Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.
- Other provisions represent amounts accrued and payable in respect of State taxes on commercial leases on Crown lands controlled by the City, and for 30 June 2017 include a provision relating to the judgement in a legal case relating to the classification (for rating purposes) of land under development.

# City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 10c. Defined Benefit Superannuation Disclosure

#### Defined Benefit Plans

##### A) Multi-Employer Pooled Fund

Council participates in an employer sponsored Defined Benefit Superannuation Scheme that is a multi-employer plan.

*(a) Funding arrangements, including methodology to determine rate of contributions and any minimum funding requirements.*

Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

Division B	1.9 times employee contributions
Division C	2.5% of salary
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2016 for 4 years to 30 June 2020, apportioned according to each employer's share of the accumulated liabilities as at 30 June 2015. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2016.

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

*(b) Extent to which Council may be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.*

As stated 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.

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 entity.

*(c) Description of any agreed allocation of a deficit or surplus on:*

*(i) wind-up of the plan*

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

*(ii) entity's withdrawal from the plan*

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

*(d) Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan:*

*(i) the fact that the plan is a defined benefit plan.*

Council confirms that the plan is a defined benefit plan.

# City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 10c. Defined Benefit Superannuation Disclosure (continued)

#### Defined Benefit Plans (continued)

(d) Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan (continued):

(ii) why sufficient information is not available to enable Council to account for the plan as a defined benefit plan.

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

Given the factors set out 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 the members). As such there is insufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would be for a single employer sponsored defined benefit plan.

(iii) the expected contribution to the plan for the next annual reporting period

The expected contributions by Council to the Fund for the next annual reporting period are \$3.795M.

(iv) information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2017 is:

<i>Employer reserves only (excluding member accounts and reserves in both assets and liabilities)</i>	<i>\$M</i>	<i>Asset Coverage</i>
Assets	1,754.4	
Vested Benefits	1,775.9	98.8%

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

Investment return	6.5% p.a.
Salary inflation (plus promotional increases)	3.5% p.a.
Increase in CPI	2.5% p.a.

Council's additional contribution requirements are estimated to remain in place to 30 June 2020 and total \$5.241M. However, the Trustee is considering extending the additional contribution period in order to build up a satisfactory surplus, allow the Fund to transition to a less risky investment portfolio resulting in a lower assumed long-term investment return.

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.

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 10c. Defined Benefit Superannuation Disclosure (continued)

##### Defined Benefit Plans (continued)

(d) *Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan (continued):*

(v) *an indication of the level of Council's participation in the plan compared with other participating entities.*

Council's participation in the Scheme compared with other entities is about 4.65% based on the Council's current level of annual additional contributions of \$3.596M against total contributions of \$48.7M. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 2 December 2016, relating to the period ending 30 June 2016.

#### **B) Defined Benefit Pooled Fund**

Council participates in a Pooled Fund comprising closed NSW public sector superannuation schemes.

*Nature of the benefits provided by the fund.*

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)

The schemes are all defined benefit schemes with a component of the final benefit being derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement or withdrawal. All the Schemes are closed to new members.

While Council records its assets and liabilities in respect of this Pooled Fund in accordance with the requirements of *AASB 119 Employee Entitlements (refer to Note 10a - Provisions)*, they are not material in relation to Council's total assets and liabilities. As a consequence the Defined Benefit disclosures of AASB 119 have not been included as the associated assets and liabilities are not material.

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	51,858	45,726
<b>Balance as per the Statement of Cash Flows</b>		<b>51,858</b>	<b>45,726</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>143,999</b>	<b>111,479</b>
Adjust for non-cash items:			
Depreciation and amortisation		112,572	110,488
Net losses/(gains) on disposal of assets		158	(2,774)
Non-cash capital grants and contributions		(34,804)	(61,751)
Non-cash losses/(gains) recognised on fair value re-measurements through P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(193)	(240)
– Investment properties		(44,721)	(17,326)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(26,562)	(285)
Increase/(decrease) in provision for doubtful debts		(79)	(314)
Decrease/(increase) in inventories		187	(313)
Decrease/(increase) in other assets		609	172
Increase/(decrease) in payables		(6,938)	9,801
Increase/(decrease) in other accrued expenses payable		(1,762)	(100)
Increase/(decrease) in other liabilities		10,337	2,436
Increase/(decrease) in employee leave entitlements		(25)	3,633
Increase/(decrease) in other provisions		4,990	1,784
<b>Net cash provided from/(used in)</b>			
<b>operating activities from the Statement of Cash Flows</b>		<b>157,768</b>	<b>156,690</b>

## City of Sydney

# Notes to the Financial Statements

for the year ended 30 June 2017

## Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Developer Contributions "in kind"		34,804	61,751
<b>Total non-cash investing and financing activities</b>		<b>34,804</b>	<b>61,751</b>
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit cards/purchase cards		300	300
<b>Total financing arrangements</b>		<b>300</b>	<b>300</b>

### (e) Bank guarantees

As a workers compensation self-insurer, Council is required to lodge a bank guarantee with the State Insurance Regulatory Authority (SIRA). At 30 June 2017, bank guarantees of \$12.849M were held by the SIRA. The Authority annually reviews the actuarial assessment of potential workers compensation liability to determine the level of bank guarantees required for the future year.

### (f) Net cash flows attributable to discontinued operations

Nil

# City of Sydney

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Capital commitments (exclusive of GST)</b>			
<i>Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:</i>			
Buildings		60,989	66,129
Infrastructure - Roads, Bridges, Footways, Kerb and Gutter		32,665	36,949
Open Space		18,612	8,701
Plant & Equipment		5,422	7,640
Public Art		5,406	5,725
Stormwater Drainage		721	18,858
Other		4,234	11,882
<b>Total commitments</b>		<b>128,048</b>	<b>155,884</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		128,048	155,884
<b>Total payable</b>		<b>128,048</b>	<b>155,884</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		128,048	155,884
<b>Total sources of funding</b>		<b>128,048</b>	<b>155,884</b>

### (b) Finance lease commitments

Nil

### (c) Operating lease commitments (non-cancellable)

#### a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	1,121	1,130
Later than one year and not later than 5 years	4,148	3,956
Later than 5 years	28,004	27,397
<b>Total non-cancellable operating lease commitments</b>	<b>33,273</b>	<b>32,483</b>

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

Operating lease commitments arise as a result of Council's commitment under a non-cancellable operating lease, being in relation to Goulburn Street Parking Station. Council has a 99 year lease arrangement to rent the airspace that the parking station exists in from the RailCorp Property who control that asset. The commitment recognises the 43 years remaining on the lease, which is estimated at \$27.7M.

The lease commitments also include duct rental payable to Energy Australia in respect of Smartpoles at \$346K per year for 30 years which, in line with recent trends, is not indexed. The agreement to 2032 results in a total remaining commitment of \$5.2M.



# City of Sydney

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2017	Actual 2016
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#### Conditions relating to operating leases:

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

#### (d) Investment property commitments

Non-capital expenditure on investment properties committed for at the reporting date but not recognised in the financial statements as liabilities:

Contractual obligations – repairs and maintenance	1,095	928
<b>Total commitments</b>	<b>1,095</b>	<b>928</b>

#### These expenditures are payable as follows:

Within the next year	1,095	928
<b>Total payable</b>	<b>1,095</b>	<b>928</b>

#### (f) Memorandum of Understanding - Transport for NSW

As detailed in Note 1(28), Council has entered into the Light Rail Development Agreement (the Agreement) with the NSW Government, and will provide a \$220M contribution (via progress payments over a number of years) towards the CBD and South East Sydney light rail project. Progress payments will be commensurate with agreed project milestones.

#### These expenditures are payable as follows:

Within the next year	63,600	47,100
Later than one year and not later than 5 years	41,100	104,700
<b>Total payable</b>	<b>104,700</b>	<b>151,800</b>

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 13a(i). Statement of performance measurement – indicators (consolidated)

	Amounts	Indicator	Prior periods		Benchmark
\$ '000	2017	2017	2016	2015	

## Local government industry indicators – consolidated

## 1. Operating performance ratio (excluding non-recurrent capital expenditure from Operating Expenses)

Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses <sup>(5)</sup>	<b>27,200</b>	<b>4.88%</b>	2.39%	3.44%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>557,840</b>				

## 1a. Operating performance ratio

Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>(19,900)</b>	<b>-3.57%</b>	-6.73%	-0.31%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>557,840</b>				

## 2. Own source operating revenue ratio

Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>539,560</b>	<b>79.70%</b>	78.68%	70.18%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<b>676,983</b>				

## 3. Unrestricted current ratio

Current assets less all external restrictions <sup>(2)</sup>	<b>308,369</b>	<b>2.68</b>	2.92	3.61	>1.50
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>115,046</b>				

## 3a. Unrestricted Current Ratio (less External and Internal Restrictions)

Current assets less all external & internal restrictions <sup>(2)</sup>	<b>179,213</b>	<b>2.02</b>	1.30	1.57	>1.50
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>88,756</b>				

## Notes

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

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

<sup>(5)</sup> Operating Performance Ratio 1 above excludes the operating expenditure effect of Council's contribution to Transport for NSW for the CBD to South East Light Rail Project (refer Note 4e). Ratio 1a. is prepared in accordance with the OLG Code of Accounting Practice.

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>92,671</b>	<b>0.00</b>	0.00	0.00	>2.00
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>–</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>3,904</b>	<b>1.23%</b>	1.16%	1.68%	< 5% Metro
Rates, annual and extra charges collectible	<b>316,609</b>				<10% Rural
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>285,858</b>	<b>6.54 mths</b>	6.9 mths	10.2 mths	> 3 mths
Payments from cash flow of operating and financing activities	<b>43,698</b>				

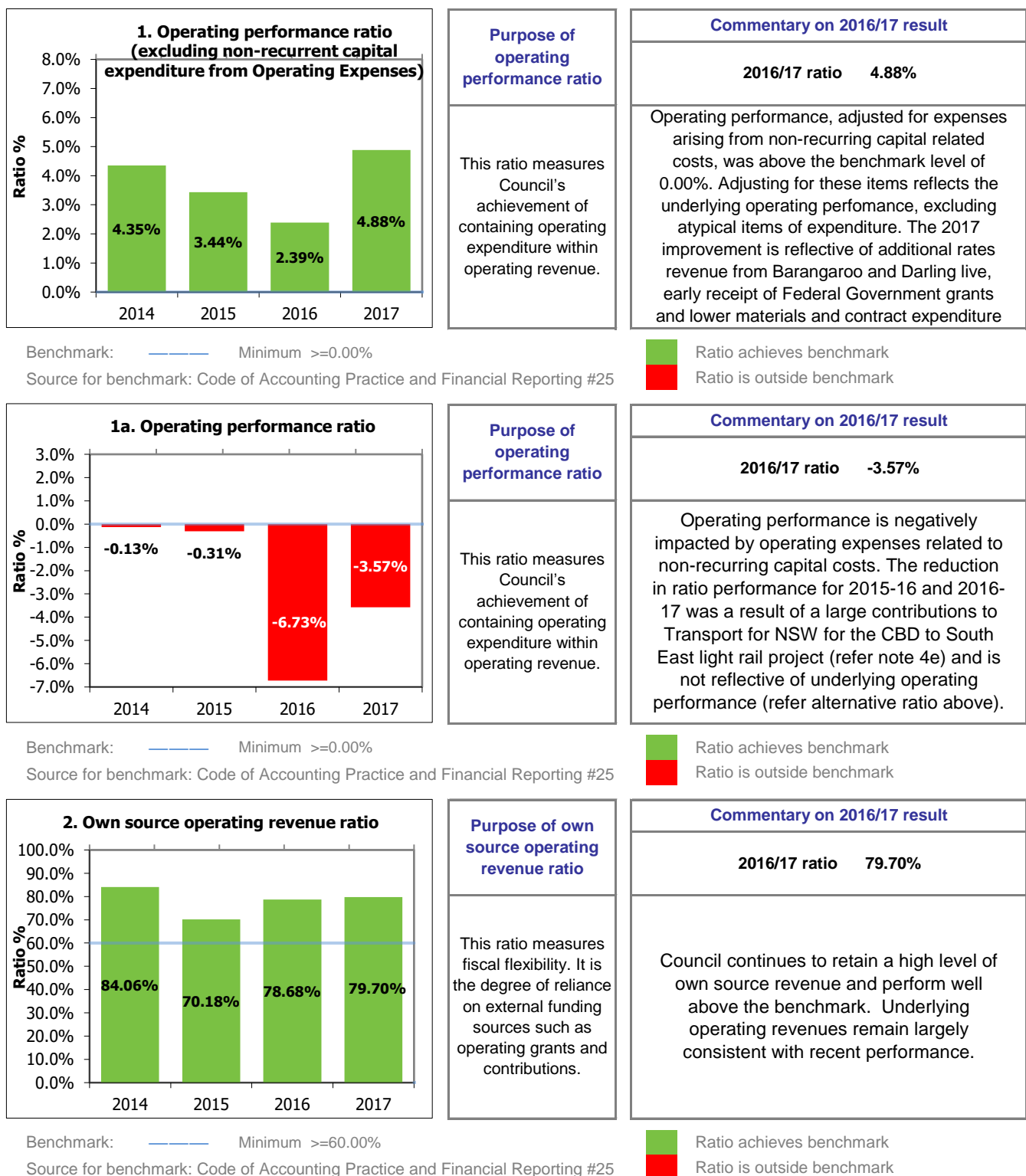
## Notes

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

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

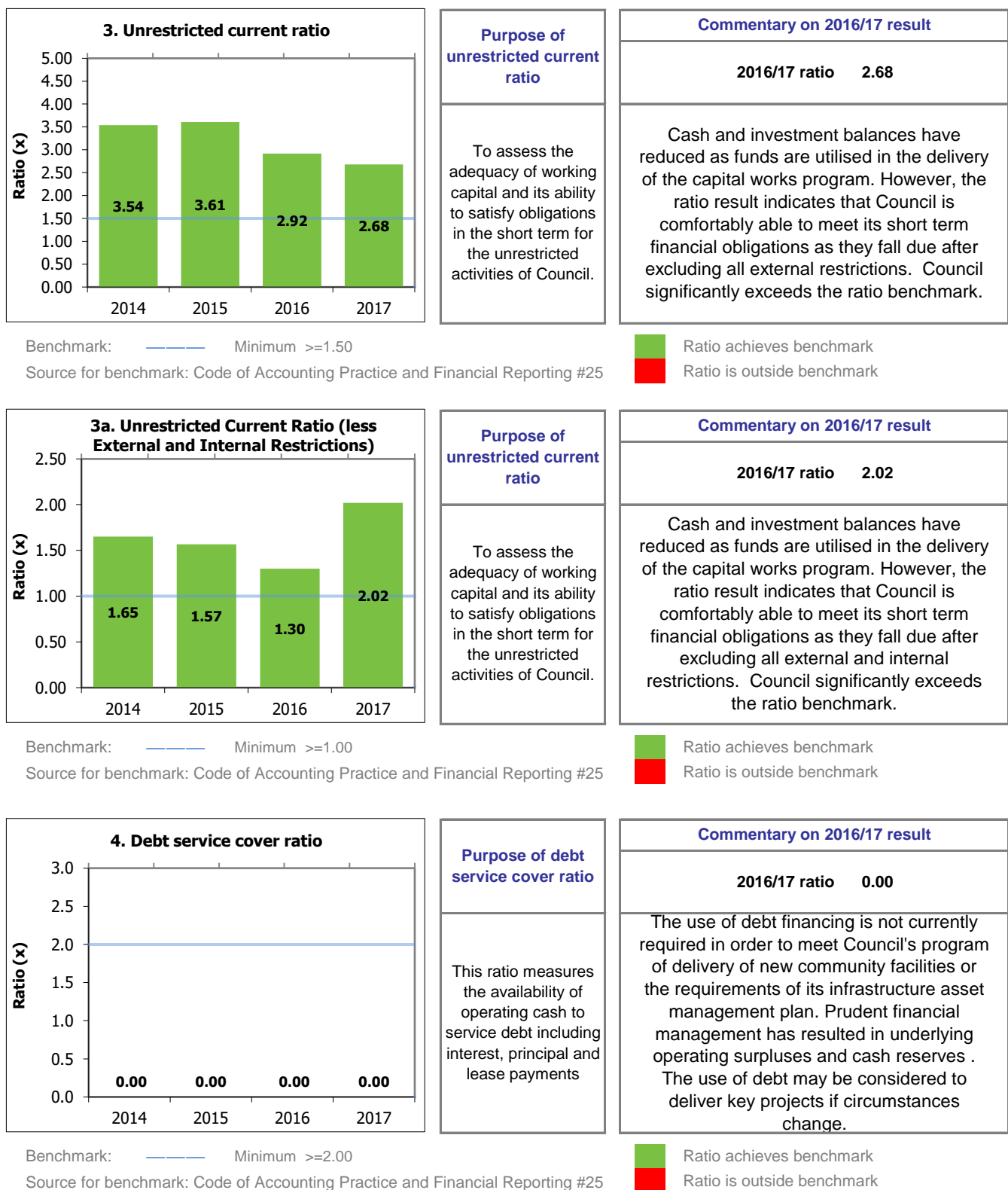
## Note 13a(ii). Local government industry indicators – graphs (consolidated)



## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

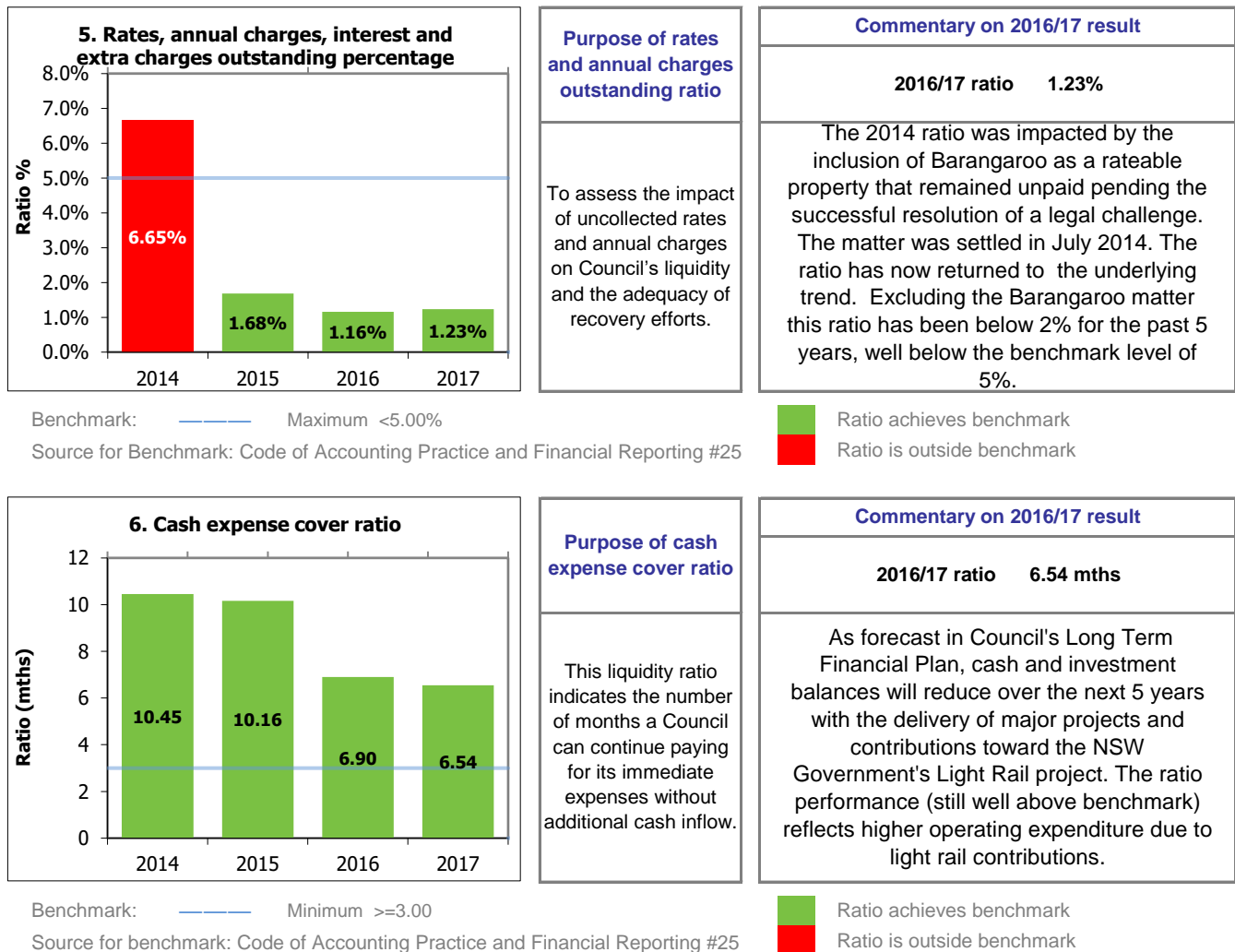
## Note 13a(ii). Local government industry indicators – graphs (consolidated)



## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 13a(ii). Local government industry indicators – graphs (consolidated)



## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>268,165</u>	<u>223,275</u>
<b>Reconciliation of annual movement:</b>			
Opening balance		223,275	204,090
– Capitalised expenditure – this year		169	1,859
– Net gain/(loss) from fair value adjustments		44,721	17,326
<b>CLOSING BALANCE – INVESTMENT PROPERTIES</b>		<b><u>268,165</u></b>	<b><u>223,275</u></b>

## (b) Valuation basis

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

The 2017 revaluations were based on independent assessments made by:

AON Valuation Services (A division of AON Risk Services Australia Limited)

*Certifying Valuer : Jeffrey Millar, AAPI*

## (c) Contractual obligations at reporting date

Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.

## (d) Leasing arrangements – Council as lessor

Details of leased investment properties are as follows:

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	12,319	19,631
Later than 1 year but less than 5 years	27,434	35,441
Later than 5 years	7,511	10,991
<b>Total minimum lease payments receivable</b>	<b><u>47,264</u></b>	<b><u>66,063</u></b>

## (e) Investment property income and expenditure – summary

<b>Rental income from investment properties:</b>		
– Minimum lease payments	17,809	17,169
<b>Direct operating expenses on investment properties:</b>	<b>(3,281)</b>	<b>(3,334)</b>
<b>Net revenue contribution from investment properties</b>	<b><u>14,528</u></b>	<b><u>13,835</u></b>
plus:		
<b>Fair value movement for year</b>	<b><u>44,721</u></b>	<b><u>17,326</u></b>
<b>Total income attributable to investment properties</b>	<b><u>59,249</u></b>	<b><u>31,161</u></b>

Refer to Note 27. Fair value measurement for information regarding the fair value of investment properties held.



# City of Sydney

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 15. Financial risk management

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\$ '000

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#### 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 material transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's Chief Finance Office under policies approved by the Council.

- **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.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

# City of Sydney

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 15. Financial risk management (continued)

\$ '000

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

Council's Chief Finance Office 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. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

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

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

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

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

	2017		2016	
2017	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in market values	22,988	22,988	28,119	28,119
Possible impact of a 1% movement in interest rates	5,091	5,091	5,640	5,640

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 15. Financial risk management (continued)

\$ '000

## (b) Credit risk

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

The level of outstanding receivables is monitored for acceptable collection performance.

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

With the exception of a small number of property tenants, there are no material receivables that have been subject to a re-negotiation of repayment terms.

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

## (i) Ageing of receivables – by %

	2017	2016		2017	2016
<b>Rates and annual charges</b>			<b>Other receivables</b>		
Current (not yet overdue)	0%	0%	Current (not yet overdue)	98%	96%
Overdue	100%	100%	Overdue	2%	4%
	<b>100%</b>	<b>100%</b>		<b>100%</b>	<b>100%</b>

## (ii) Ageing of receivables – by value

	2017	2016		2017	2016
<b>Rates and annual charges</b>			<b>Other receivables</b>		
Current	–	–	Current	115,129	91,294
< 1 year overdue	3,359	2,993	0 – 30 days overdue	588	169
1 – 2 years overdue	163	183	31 – 60 days overdue	980	27
2 – 5 years overdue	163	209	61 – 90 days overdue	–	–
> 5 years overdue	219	158	> 91 days overdue	1,342	42
	<b>3,904</b>	<b>3,543</b>		<b>118,039</b>	<b>91,532</b>

## (iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	1,232	1,546
+ new provisions recognised during the year	140	217
– amounts already provided for and written off this year	(219)	(531)
<b>Balance at the end of the year</b>	<b>1,153</b>	<b>1,232</b>

## Impairment - All Receivables

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 15. Financial risk management (continued)

\$ '000

## (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	22,430	61,183	—	—	—	—	—	83,612	83,612
Total financial liabilities	22,430	61,183	—	—	—	—	—	83,612	83,612
2016									
Trade/other payables	14,384	67,133	—	—	—	—	—	81,517	81,517
Total financial liabilities	14,384	67,133	—	—	—	—	—	81,517	81,517

The above payables are not subject to interest rates

Council had no borrowings at either balance date

# City of Sydney

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 16. Material budget variations

\$ '000

Council's original financial budget for 2016/17 was adopted by the Council on 27 June 2016.

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

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.

**Note that for variations\* of budget to actual :**

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

**F** = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2017 Budget	2017 Actual	2017 Variance* -----	
<b>REVENUES</b>				
<b>Interest and investment revenue</b>	<b>14,537</b>	<b>17,280</b>	<b>2,742</b>	19% <b>F</b>
Cash balances, whilst declining due to increased capital expenditure, were higher than anticipated over the year which has had a positive effect on the interest earned. In addition, Council continued to out perform both the industry and its enhanced investment performance benchmarks. This was in part due to the acquisition of investments with locked in higher yields, over the last two or three years. This situation is expected to gradually decline over the next 2 to 3 years as these investments steadily mature.				
<b>Other revenues</b>	<b>103,501</b>	<b>148,097</b>	<b>44,596</b>	43% <b>F</b>
The positive variance in Other Revenues was driven by the upwards revaluation of Council's 'Investment Properties' (\$44.7M). The revaluation gain remained unrealised, and owing to unpredictability and its "non-cash" nature, has typically not been budgeted. The significant upswing is reflective of strengthening rental yields on commercial and office space within both the CBD and City Fringe areas, and updated tenancies.				
<b>Operating grants and contributions</b>	<b>12,916</b>	<b>18,280</b>	<b>5,364</b>	42% <b>F</b>
Early receipt of the first two payments of 2017/18 Financial Assistance Grants of \$2.7M combined with a reclassification of the Roads to Recovery Grant led to the favourable variance. Both grants are received from the Federal Government				
<b>Capital grants and contributions</b>	<b>64,745</b>	<b>119,144</b>	<b>54,399</b>	84% <b>F</b>
Developer and Planning Agreement contributions are driven by economic conditions. Council budgets conservatively for developer contributions, in order to avoid over-reliance on anticipated capital income. During the financial year, development activity in the LGA was significantly higher than anticipated. The major development sites were in the Green Square urban renewal, Rosebery, South Sydney and CBD areas.				

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*
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Note that for variations\* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

**F** = Favourable budget variation, **U** = Unfavourable budget variation

## EXPENSES

<b>Materials and contracts</b>	<b>96,780</b>	<b>107,384</b>	<b>(10,604)</b>	(11%)	<b>U</b>
--------------------------------	---------------	----------------	-----------------	-------	----------

Council's adopted budget included approximately \$10.2M for waste collection within Other Expenses. Subsequent to the adoption of the budget, the waste collection portion of contract cost was separated from the s88 Waste Levy paid to the NSW Government. This allowed the re-classification of the collection costs to Materials and Contracts, with the balance (approx \$7.5M) retained in **Other Expenses - Contributions/levies to other levels of government**. Prior year comparatives were also reclassified.

<b>Other expenses</b>	<b>157,887</b>	<b>138,471</b>	<b>19,416</b>	12%	<b>F</b>
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Refer to Materials and Contracts commentary above; approximately \$10.2M relating to waste collection services was reclassified from Other Expenses to Materials and Contracts, subsequent to the adoption of Council's budget in 2016. This resulted in a favourable budget variance. Comparative year figures were also reclassified. In addition, **Payment to NSW Government related to parking enforcement** reported a favourable budget variance (consistent with reduced enforcement income against budget), and savings against budget were realised for event costs.

## Budget variations relating to Council's Cash Flow Statement include:

<b>Cash flows from operating activities</b>	<b>138,029</b>	<b>157,768</b>	<b>19,738</b>	14.3%	<b>F</b>
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The main sources of variation to budget were **Interest and Investment Income** in excess of budget (approximately \$3M favourable), stronger than anticipated cash receipts related to **Rates and Annual Charges** (approximately \$3M favourable), earlier than anticipated receipt of **Operating Grants** from the Federal Government (approximately \$3M favourable) and lower than expected recurrent expenditure on **Materials and Contracts** (variance of approximately \$4M favourable).

<b>Cash flows from investing activities</b>	<b>(147,999)</b>	<b>(151,635)</b>	<b>(3,637)</b>	2.5%	<b>U</b>
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Lower capital expenditure (approximately \$109M below budget) offset by the purchase of a significant CBD property (approximately \$44M) not anticipated in the original budget

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	23,708	4,821	–	828	(28,514)	–	843	–
Open space/public domain	57,517	31,846	–	1,359	(16,999)	(26,157)	47,566	(26,157)
Stormwater Drainage	3,231	303	–	–	(29,691)	26,157	–	26,157
Traffic and Transport	18,707	5,353	3,752	384	(11,220)	–	16,976	–
<b>S94 contributions – under a plan</b>	<b>103,163</b>	<b>42,323</b>	<b>3,752</b>	<b>2,571</b>	<b>(86,423)</b>	<b>–</b>	<b>65,386</b>	<b>–</b>
S93F Planning Agreements (VPAs, FSR)	52,528	18,694	19,363	478	(28,705)	–	62,358	–
S61 contributions	–	18,992	–	–	(18,992)	–	–	–
<b>Total contributions</b>	<b>155,691</b>	<b>80,009</b>	<b>23,115</b>	<b>3,049</b>	<b>(134,121)</b>	<b>–</b>	<b>127,743</b>	<b>–</b>

<b>Cash Contribution Movement</b>	<b>123,348</b>	<b>80,009</b>	<b>–</b>	<b>3,049</b>	<b>(128,339)</b>	<b>–</b>	<b>78,068</b>	<b>–</b>
Section 94 (all plans)	102,856	42,323		2,571	(86,423)	–	61,326	–
S93F Planning Agreements (VPAs, FSR)	20,493	18,694		478	(22,923)	–	16,742	–
S61 Contributions	–	18,992		–	(18,992)	–	–	–
<b>Contributions Receivable Movement</b>	<b>32,343</b>	<b>–</b>	<b>23,115</b>	<b>–</b>	<b>(5,782)</b>	<b>–</b>	<b>49,676</b>	<b>–</b>
Section 94 (all plans)	307	–	3,752		–		4,060	–
S93F Planning Agreements (VPAs, FSR)	32,035	–	19,363		(5,782)		45,616	–
<b>Total Contributions</b>	<b>155,691</b>	<b>80,009</b>	<b>23,115</b>	<b>3,049</b>	<b>(134,121)</b>	<b>–</b>	<b>127,743</b>	<b>–</b>

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN - CITY OF SYDNEY (2015)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	23,708	4,821		828	(28,514)		843	
Open space/public domain	57,517	31,846		1,359	(16,999)	(26,157)	47,566	(26,157)
Stormwater Drainage	3,231	303		–	(29,691)	26,157	–	26,157
Traffic and Transport	18,707	5,353	3,752	384	(11,220)		16,976	
<b>Total Contributions</b>	<b>103,163</b>	<b>42,323</b>	<b>3,752</b>	<b>2,571</b>	<b>(86,423)</b>	<b>–</b>	<b>65,386</b>	<b>–</b>



# City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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\$ '000

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#### 1. Potential benefits to Council

- (i) In accordance with the Light Rail Development Agreement between Transport for NSW and Council, completed public domain assets, delivered as part of the CBD to South East Sydney light rail project, will be transferred to Council at a future date. The quantity, nature and value of these assets remain uncertain, as does the expected transfer date/s. Assets will be recognised at fair value at the time of transfer in future accounting period/s.
- (ii) Council is pursuing its legal rights to income in relation to the agreed placement of the operational assets of third parties on Council owned property. The amount was not quantifiable at balance date.

#### 2. Potential claims

- i) Council is currently investigating potential rectification requirements at one of its facilities. The potential cost of rectification works may be as high as \$3M. It is anticipated that the cost of any required rectification works required will be met under the relevant warranties and/or guarantees provided by the supplier.
- (ii) A small number of contract disputes are currently underway between Council and construction contractors. The matters have not progressed to formal legal proceedings at balance date, and it is anticipated that the matters will be resolved with the respective contractors without formal proceedings.

#### 3. Self insurance – Workers Compensation

Council has decided, on the basis of proper risk management practices, to carry its own insurance in regard to worker's compensation. A provision for self insurance has been made to recognise outstanding claims, the amount of which is detailed in Note 10.

As a self-insurer, Council is required to lodge a bank guarantee with the State Insurance Regulatory Authority (SIRA). At 30 June 2017, bank guarantees of \$12.849M were held by the SIRA, and the Authority is currently reviewing whether any additional assurance is required.

All other insurance risks, including workers compensation claims above \$600,000, are covered by external companies.

#### 4. Infringement Notices/Fines

Fines & Penalty Income, as a result of Council issuing Infringement Notices is followed up and collected by the State Debt Recovery Office. Council's Revenue Recognition policy for such income is to account for it as revenue when the penalty is applied to the extent of expected recovery rates (determined in accordance with past experience).

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid Infringement Notices that are in excess of the accrued revenue recognised in the accounts.

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

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2017

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

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\$ '000

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##### LIABILITIES NOT RECOGNISED (continued):

##### 5. Recovery Claim - Investment Losses

Council received an offer from the liquidators of an investment securities firm in respect of investment losses incurred on Collateralised Debt Obligations (CDOs). Liquidation dividends have been paid over a number of financial years totalling approximately 85% of the \$2M claim amount. At balance date, Council is awaiting final distribution.

Council is also party to a class action against a ratings agency, for losses suffered as a result of reliance upon that agency's credit rating for a structured investment product. The matter is awaiting mediation at 30 June 2017.

##### 6. Proposed Land Transfers between NSW Government Authorities and Council

Council has previously agreed to proceed with a transfer of public assets from SHFA in Pyrmont. The completion of these transfers is subject to the fulfilment of specific conditions. The value of these assets cannot be quantified at this time, as they are subject to assessment of age and condition at the time of transfer.

##### 7. Superannuation – Defined Benefits Schemes

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefit, as defined in the Trust Deed, as they accrue.

Council has an ongoing obligation to share in the future rights and liabilities of the Scheme. Favourable or unfavourable variations may arise should the financial requirements of the Scheme differ from the assumptions made by the Scheme's actuary in estimating the accrued benefits liability.

##### 8. Developer Contributions Plans and Planning Agreements

Council levies infrastructure contributions upon various development across the Council area through the requisite Contributions Plans (Section 94 and 61) and through Voluntary Planning Agreements (VPAs).

As part of these Plans and VPAs, Council has received funds which are required to be expended only for the purposes for which they were levied (per the respective plans and VPAs). These Plans also indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or, where a shortfall exists, by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in those Plans.

Planning Agreements may also make provision for the future delivery of assets to Council for dedication as community assets. The delivery of these assets remains contingent upon the developers actioning consent and they are not raised as receivable assets until all contingencies expire.

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2017

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

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\$ '000

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##### LIABILITIES NOT RECOGNISED (continued):

##### 9. Heritage Floor Space - Council Properties

Changes to the Sydney Development Control Plan (2012) made by Council may result in the award of Heritage Floor Space (HFS) to Council, subject to:

- a) Council, in its capacity as property owner, making application for the award of HFS on an eligible building
- b) That application being assessed by Council, in its capacity as statutory authority, as meeting the relevant criteria to allow award of HFS

A reliable valuation of any HFS awarded to/held by Council in the future is expected to prove difficult, as valuation will be contingent upon numerous volatile market conditions.

##### 10. Alternative Heritage Floor Space Allocation Scheme

Under Council's Alternative Heritage Floor Space Allocation Scheme, developers provide a bank guarantee for an agreed sum, to enable projects to proceed where the requisite Heritage Floor Space (HFS) allocation has yet to be secured. Should the heritage floor space allocation not be secured by the developer at a specific date, the guarantee will be claimed by Council, with the funds held as restricted assets, pending subsequent re-allocation to heritage works projects within the LGA.

At balance date, bank guarantees were held by Council for three development sites (totalling \$21.3M). A partial or full claim on the guarantees may be made at a future date, should the respective developers fail to secure the required HFS. Should the HFS be secured, the guarantee/s will be returned and no monetary payment by the developer/s will be required.

##### 11. Potential Rates Claims

A recent judgement in favour of a developer allowed land to be categorised as residential (for rating purposes) from the time demolition of existing buildings and construction of residential flat buildings commenced, rather than as commercial. Prior to this ruling, land remained categorised as commercial until an occupation certificate was issued for a development. The rate in the dollar (or ad valorem rate) - which is the basis of a rates charge - is substantially lower for land categorised as residential.

Based on this ruling, Council will be required to refund rates levied at the higher rate on a number of developments. The amount of the refund will be determined by the Court in late October and is likely to be substantial. Council is examining the ruling, considering the wider ramifications for rating and reviewing grounds for appealing the decision.

##### 12. Litigation - Compulsory Acquisition of Council-owned land

Council has commenced proceedings in the Land and Environment Court, disputing the amount of compensation offered in relation to two parcels of land compulsorily acquired. The loss of the lands has direct financial implications, as does the disruption to future works and service provision caused by their loss. The total of Council's claims across the two matters exceeds \$40M.

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 19. Interests in other entities

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**\$ '000**

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Council has no interest in any controlled entities, joint arrangements or associates.

Council has recorded assets over which it has control through legislative or contractual provisions.

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year		3,524,402	3,132,370
Correction of prior period errors	20 (c)	–	261,331
Net operating result for the year		143,999	111,479
Transfers between equity		–	19,222
<b>Balance at end of the reporting period</b>		<b>3,668,401</b>	<b>3,524,402</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		4,677,465	3,213,507
– Other reserves (specify)		3,557,032	3,557,032
<b>Total</b>		<b>8,234,496</b>	<b>6,770,539</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		3,213,507	2,121,658
– Revaluations for the year	9(a)	1,463,958	1,131,218
– Correction of prior period errors	20(c)	–	(25,464)
– Transfer to Trust Assets Revaluation Reserve		–	(13,904)
<b>– Balance at end of year</b>		<b>4,677,465</b>	<b>3,213,507</b>
<b>Trust Asset Revaluation Reserve</b>			
– Opening balance		3,557,032	2,346,537
– Revaluations for the year	9(a)	–	1,215,813
– Transfers to retained earnings		–	(19,222)
– Transfers from I,P,P&E Revaluation Reserve		–	13,904
<b>– Balance at end of year</b>		<b>3,557,032</b>	<b>3,557,032</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>8,234,496</b>	<b>6,770,539</b>

**(iii) 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.

**Other reserves**

– The Trust Assets Revaluation Reserve represents the total fair value of trust land assets (such as Crown Reserve Trusts) that have come under the management control of Council at no acquisition cost and which have subsequently been revalued to fair value. These assets are owned by external entities (including State and Federal Governments) and are effectively controlled by the City as custodians or Reserve Trust manager.

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

##### (c) Adjustments to correct a previous reporting period

#### **Corrections relating to a previous reporting period disclosed in this year's financial statements:**

##### **Revaluation of Infrastructure, Property, Plant and Equipment (I,PP&E)**

Consistent with OLG requirements for councils to measure all I,PP&E at fair values, Council this year reviewed and updated the fair values held for the following asset classes:

- Operational Land
- Buildings (Specialised and Non-Specialised)
- Infrastructure - Roads, Bridges, Footways, Kerbs
- Infrastructure - Stormwater Drainage
- Trees

In addition to the movements in asset valuations shown at Note 9 of these statements, the process of revaluing the above asset classes identified cases where the current status of certain assets had not been correctly reflected within Council's asset register.

Corrections have been made in order to reflect: i) write-off of residual value of infrastructure assets replaced/renewed by completed capital works, ii) infrastructure assets previously recognised as City of Sydney owned, which records show are owned/controlled by third parties; and iii) assets not previously recognised as City of Sydney owned, which have been identified following a database update.

The effect of the above corrections on depreciation expense for the financial years reported in these statements could not be accurately estimated, and was considered to be immaterial. Depreciation expense has not been restated.

A classification error was also detected for certain Poles and Lights assets, which had been carried within the Infrastructure - Roads, Bridges, Footpaths and Kerbs asset class. The transfer of the affected assets to the correct Other Structures - Poles and Lights class did not affect depreciation expense or Total Infrastructure, Property, Plant and Equipment balances.

Council has corrected the valuation of Crown Land (and land owned by third parties) under its day-to-day care and control, relating to a previous reporting period.

The valuation approach used an average valuation rate (based on Valuer-General valuations) for properties surrounding the land parcels, applied to relevant land area, with a 'discount' applied in order to reflect the restrictions associated with the land, as required by AASB 13.

These corrections have resulted in the restatement of balances (relating to a previous reporting period) for relevant affected line items in the Income Statement and Statement of Financial Position for the relevant prior period as follows:

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

## (c) Adjustments to correct a previous reporting period (continued)

**Corrections relating to a previous reporting period disclosed in this year's financial statements:**

\$ '000	Previously					
	Reported 2016	Increase/ (Decrease)	Restated 2016			
<b>Income Statement (Extract)</b>						
Net gains from the disposal of assets	3,367	(593)	2,774			
<b>Total Income From Continuing Operations</b>	<b>679,231</b>	<b>(593)</b>	<b>678,638</b>			
<b>Net Operating Result for the year</b>	<b>112,072</b>	<b>(593)</b>	<b>111,479</b>			
<b>Net Operating Result for the year excluding Capital Contributions</b>	<b>(14,993)</b>	<b>(593)</b>	<b>(15,587)</b>			
<b>Net Operating Result for the year excluding Capital Contributions and contribution to Light Rail</b>	<b>33,607</b>	<b>(593)</b>	<b>33,013</b>			
\$ '000	Previously					
	Reported 2016	Increase/ (Decrease)	Restated 2016	30 Jun 2015	Increase/ (Decrease)	Restated 1 Jul 2015
<b>Statement of Financial Position (Extract)</b>						
Infrastructure, property, plant and equipment:						
– Roads, bridges, footpaths, kerbs	1,120,635	(36,470)	1,084,165	653,083	(23,223)	629,860
– Stormwater drainage	178,227	(20,447)	157,781	139,285	(20,447)	118,838
– Other Structures - Poles & Lights	9,214	47,003	56,217			
– Community Land	7,564,231	(1,333,892)	6,230,339			
Retained earnings	3,508,852	15,550	3,524,402	3,150,576	(18,206)	3,132,370
I,P,P&E revaluation reserve	3,238,971	(25,464)	3,213,508	2,121,658	(25,464)	2,096,194
Trust Assets reserve	4,890,924	(1,333,892)	3,557,032	2,346,537	-	2,346,537

**Adjustment for corrections as disclosed in last year's financial statements:****Revaluation of Infrastructure, Property, Plant and Equipment (I,PP&E)**

Consistent with OLG requirements for councils to measure all I,PP&E at fair values, Council reviewed and updated the fair values held for the following asset classes in the 2015/16 financial year:

- Open space/recreational assets
- Community Land
- Heritage Collection
- City Art

As part of that evaluation and measurement process, the remaining useful life of each asset was reassessed resulting in a correction to accumulated depreciation for the Open Space/Recreational Assets class

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

## (c) Adjustments to correct a previous reporting period (continued)

**Adjustment for corrections as disclosed in last year's financial statements (continued):****Infrastructure, property, plant and equipment - condition assessment error**

In reassessing infrastructure asset data from the 2012 revaluation, Council identified an error in asset condition assessments utilised in the valuation of two infrastructure classes: Roads, Bridges & Footpaths, and Stormwater Drainage.

The application of the incorrect scale resulted in overstated accumulated depreciation for these asset classes (i.e. understated remaining useful life)

**Depreciation methodology - road base**

In addition, Council's Principal Engineer for Road Infrastructure identified that the 2012 infrastructure asset valuation did not distinguish between the "Upper" and "Lower" levels of road base. As a result, "Lower road base" assets were subject to the same level of depreciation as the Upper portion, despite being non-depreciating in nature. The historical financial impact of this methodology was identified, and accumulated depreciation adjusted accordingly. The lower road base assets are no longer subject to depreciation.

The errors summarised above were corrected in the Statement of Financial Position as at 30 June 2016 as follows:

		Increase/ Decrease	Restated
\$ '000	2016		2016

**Statement of Financial Position (Extract)**

Infrastructure, property, plant and equipment:

– Roads, bridges, footpaths, kerbs	<b>903,673</b>	216,962	<b>1,120,635</b>
– Stormwater drainage	<b>161,856</b>	16,371	<b>178,227</b>
– Open space/recreational assets	<b>218,425</b>	(6,352)	<b>212,073</b>
Retained earnings	<b>3,281,870</b>	226,982	<b>3,508,852</b>



## Notes to the Financial Statements

for the year ended 30 June 2017

**Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

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**(d) Voluntary changes in accounting policies**

Council made no voluntary changes in any accounting policies during the year.

**(e) Changes in accounting estimates****Infrastructure - Roads, Bridges, Footways, Kerbs**

As part of the revaluation of Infrastructure (roads) assets at 30 June 2017, Council updated estimates relating to the valuation of road base. The updated valuation methodology considered the key asset components of roads, and resulted in a revised "segmentation" of road assets. The average unit rate applied in valuing road base assets was revised down, in order to better reflect the nature of asset replacement works. The reduction to the gross replacement cost is expected to result in a depreciation expense reduction of approximately \$1.1M per annum, from 1 July 2017.

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 21. Financial result and financial position by fund

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Council utilises only a general fund for its operations.

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 22. 'Held for sale' non-current assets and disposal groups

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Council did not classify any non-current assets or disposal groups as 'held for sale'.

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 23. Events occurring after the reporting date

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\$ '000

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Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 23/10/17.

Events that occur after the reporting period represent one of two types:

##### **(i) Events that provide evidence of conditions that existed at the reporting period**

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

##### **(ii) Events that provide evidence of conditions that arose after the reporting period**

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 24. Discontinued operations

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Council has not classified any of its operations as 'discontinued'.

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 25. Intangible assets

	Actual 2017	Actual 2016
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Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

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\$ '000

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Council has implemented a Remediation Action Plan (RAP) in respect of a former Council depot, located at Fig and Wattle Streets, Pyrmont.

Provision has been made for future remediation works, consistent with the RAP:

Asset/operation	NPV of provision	
	2017	2016
Total Site Remediation estimated costs under the RAP	4,000	4,000
Balance at end of the reporting period	10(a) <u>4,000</u>	<u>4,000</u>

Further detail regarding the provision for reinstatement can be found at Note 1(18)

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- 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) The following table presents all assets and liabilities that have been measured and recognised at fair values:**

		Fair value measurement hierarchy			Total
2017		Level 1	Level 2	Level 3	
	Date of latest valuation	Quoted prices in active mkt	Significant observable inputs	Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Designated at fair value on initial recognition'	30/06/17	–	–	229,876	229,876
<b>Total financial assets</b>		<b>–</b>	<b>–</b>	<b>229,876</b>	<b>229,876</b>
<b>Investment properties</b>					
Investment property portfolio	30/06/17	–	268,165	–	268,165
<b>Total investment properties</b>		<b>–</b>	<b>268,165</b>	<b>–</b>	<b>268,165</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/13	–	–	38,653	38,653
Office Equipment	30/06/13	–	–	7,245	7,245
Furniture & Fittings	30/06/13	–	–	21,730	21,730
Operational Land	30/06/17	–	1,512,282	–	1,512,282
Community Land	30/06/16	–	–	6,239,409	6,239,409
Land under Roads (post 30/6/08)	30/06/14	–	–	155,790	155,790
Open space/recreational assets	30/06/16	–	–	209,134	209,134
Buildings - Non Specialised	30/06/17	–	427,698	906,391	1,334,089
Buildings - Specialised	30/06/17	–	–	31,048	31,048
Other Structures - Trees	30/06/17	–	–	115,505	115,505
Other Structures - Signs	30/06/17	–	–	14,501	14,501
Other Structures - Poles and Lights	30/06/17	–	–	57,973	57,973
Roads, Bridges, Footpaths, Kerbs	30/06/17	–	–	876,616	876,616
Stormwater Drainage	30/06/17	–	–	198,184	198,184
Heritage Collections	30/06/16	–	–	7,031	7,031
Library Books	30/06/16	–	–	2,454	2,454
City Art	30/06/16	–	–	34,458	34,458
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>1,939,980</b>	<b>8,916,124</b>	<b>10,856,104</b>



## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 27. Fair value measurement

\$ '000

2016		Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Designated at fair value on initial recognition’	30/06/16	–	–	281,188	281,188
Total financial assets		–	–	281,188	281,188
Investment properties					
Investment property portfolio	dd/mm/yy	–	223,275	–	223,275
Total investment properties		–	223,275	–	223,275
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/13	–	–	42,962	42,962
Office Equipment	30/06/13	–	–	9,551	9,551
Furniture & Fittings	30/06/13	–	–	25,214	25,214
Operational Land	30/06/12	–	–	534,457	534,457
Community Land	30/06/16	–	–	7,564,231	7,564,231
Land under Roads (post 30/6/08)	30/06/14	–	–	140,973	140,973
Open space/recreational assets	30/06/16	–	–	212,073	212,073
Buildings - Non Specialised	30/06/12	–	–	657,019	657,019
Buildings - Specialised	30/06/12	–	–	19,448	19,448
Other Structures - Trees	30/06/12	–	–	88,635	88,635
Other Structures - Signs	30/06/12	–	–	9,620	9,620
Other Structures - Poles and Lights	30/06/12	–	–	9,214	9,214
Roads, Bridges, Footpaths	30/06/12	–	–	1,120,635	1,120,635
Stormwater Drainage	30/06/12	–	–	178,227	178,227
Heritage Collections	30/06/16	–	–	6,864	6,864
Library Books	30/06/16	–	–	2,478	2,478
City Art	30/06/16	–	–	31,102	31,102
Total infrastructure, property, plant and equipment		–	–	10,652,704	10,652,704

# City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 27. Fair value measurement (continued)

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\$ '000

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

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

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

#### Financial Assets - Investments "Designated At Fair Value on Initial Recognition"

Council receives indicative market valuation advice from an independent external investment advisor. These indicative valuations are based upon recent, comparable, market-based evidence.

---

#### Investment properties

Fair value of investment properties is estimated based on appraisals performed by an independent and professionally qualified property valuer. The appraisal adopted the *capitalised income approach* as the valuation methodology whereby a yield is applied to the property's income to assess its value. The yield applied to the rental return is based on analysis of sales and or leasing data and is calculated by dividing the rental return from comparable sales against sale price (initial yield). Where analysis indicated that income from a sale property was not at market levels at the time of sale, the income was adjusted to reflect market returns.

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

##### Asset classes : Plant & Equipment, Office Equipment, Furniture & Fittings, Signs, Poles & Lights and Library Resources

The Cost Approach is used for these asset classes, based on depreciated original cost representing fair value. The assets are primarily for operational purposes and are not of a nature where valuation increments are likely. The fair value is adjusted by depreciation representing the wear and tear of the assets based on the estimated useful life of the asset. The valuation process is conducted by Council staff.

##### Asset classes : Heritage Collections and City Art

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified valuer. A combination approach to valuations is utilised, with *direct comparison* evidence derived from the analysis of recent sales considered in combination with costs to commission similar assets, in order to establish the value of the subject asset.

##### Asset classes : Roads, Bridges, Footpaths, Stormwater Drainage, Open Space and Recreational Assets, Trees

Fair value of these asset classes is determined on the depreciated replacement cost approach based on replacement costs determined with reference to current third party asset replacement contracts. The gross value is adjusted by depreciation, representing the wear and tear of the assets based on the estimated useful life of the asset. The valuation process is conducted by Council staff.

##### Asset class : Operational Land

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified property valuer. The market appraisal adopted the *direct comparison approach* whereby evidence derived from the analysis of recent sales of similar properties is used to establish the value of the subject property. Valuations distinguished between 'Sydney' (core CBD) and 'Fringe' (elsewhere within the Council area) locations, and applied a unit rate per square metre of land area and adjusted accordingly to reflect any character differences between the subject and comparable sales data.

# City of Sydney

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 27. Fair value measurement

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\$ '000

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

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

###### Asset classes : Buildings (Specialised and Non-Specialised)

Valuations of all building assets were undertaken by an external, qualified valuer (APV Valuers and Asset Management). In accordance with the brief given to APV, valuations are compliant with AASB 13 - Fair Value. Depending upon the nature of the specific asset the valuation approach may have included the adoption of a singular or multiple techniques.

- The **Market approach** has been applied where there is a principal market which provides observable evidence of the Fair Value of the asset.
- The **Income approach** has been applied for assets where the income generating capability of the asset provides the best estimate of the assets' Fair Value.
- The **Cost approach** is used for assets which are not commonly traded. Typically these include assets that public and not-for-profit sectors entities use to provide services to the public for no or minimal charge.
- In rare circumstances the valuation may also include a **combination** of approaches

The valuations are based on a range of inputs. Some inputs may be gathered at a High level prior to application of inputs at the Asset or Component Level.

Key level 2 inputs include recent comparable property sales conducted in the open market.

Key level 3 inputs include:

- Component proportions (as part of building value)
- Unit Rates / Overall Value
- Consumption Scores & Valuation Profiles

A consistent valuation approach was applied to all Council-owned buildings, whether classified and 'Specialised' or 'Non-Specialised'. Level 2 inputs were only applicable to some buildings within the 'Non-Specialised' class, with the remainder of assets valued utilising Level 3 inputs.

###### Asset classes : Community Land (Council-owned) and Land Under Roads (post 30/06/2008)

Fair value of these asset classes is determined on the basis of an indicative replacement cost, utilising valuations provided by the NSW Valuer-General for surrounding properties. An average square metre unit rate is determined for the surrounding properties and applied to the square metre area of the subject assets to determine a notional replacement cost reflective of their location. In instances where the presence of a significant park directly contributes to an inflated value of surrounding properties, broader surrounding areas are utilised in determining an appropriate average. The valuation process is conducted by Council staff.

###### Asset class : Community Land (Crown and 3rd Party owned)

Consistent with the Office of Local Government Code of Accounting Practice and Financial Reporting, Crown Reserves under Council's care and control are recognised as assets of the council. Fair value is determined for these assets with due allowance made for the 'restrictions' associated with the land (in particular, Council's inability to sell or transfer the assets). The valuation approach utilises Valuer-General valuations of adjacent land parcels, with a 'discount' factor applied to reflect the valuation impact of the associated restrictions.

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

## (4). Transfers between level 3 and level 2 fair value hierarchy

a. The following table presents the changes in level 3 fair value asset classes.

	Land - Operational	Buildings Non-Specialised	Total
<b>Opening balance – 1/7/16</b>	534,457	657,019	1,191,476
Purchases/Additions	40,752	57,575	98,327
Disposals (WDV)	–	(187)	(187)
Depreciation and impairment	–	(37,433)	(37,433)
FV gains – other comprehensive income	937,073	657,114	1,594,187
Transfers from/(to) level 2 FV hierarchy 27 4(b)	(1,512,282)	(427,698)	(1,939,980)
<b>Closing balance – 30/6/17</b>	<b>1,512,282</b>	<b>906,391</b>	<b>2,846,371</b>

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy:

**Asset class : Operational Land**

As part of the revaluation of this asset class, Council's external valuer advised that certain assets were valued with reference to recent sales of comparable properties. In these cases, Council considers that the valuation inputs constitute level 2 - Significant Observable Inputs. As a result, those assets valued on a market basis have been transferred from Level 3 to Level 2 in the fair valuation hierarchy. The carrying value of these assets (post-revaluation) is shown in the table above.

**Asset class : Non-Specialised Buildings**

Consistent with the Operational Land class, Council's external valuer advised that certain assets were valued with reference to recent sales of comparable properties, and also utilising the 'Income approach'. In these cases, Council considers that the valuation inputs constitute level 2 - Significant Observable Inputs. As a result, those assets valued on a market basis have been transferred from Level 3 to Level 2 in the fair valuation hierarchy. The carrying value of these assets (post-revaluation) is shown in the table above.

## (5). Highest and best use

The following non-financial assets of Council are being utilised in a manner that does not generate commercial revenues:

**Community based assets**

Council undertakes a number of services with a strong focus of providing community benefits to its constituents. These services are based meeting essential community needs and are not of a nature that would be provided in a commercially competitive environment.

Land under the asset class Community Land comprises Crown land under Council's care and control as well as Council-owned land that has been classified as community land under the provisions of the Local Government Act 1993. Furthermore, Council has a number of buildings that are applied in delivering community services. The restrictions on the land and the community use of the buildings in delivering community based services is considered to be the 'highest and best use' of those assets to Councils.

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 28. Related party disclosures

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\$ '000

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##### a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. For the City of Sydney, KMP comprises Councillors, the Chief Executive Officer and other members of the Executive (directors).

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

	Actual
Compensation:	2017
Short-term benefits (salaries etc)	3,901
Post-employment benefits	357
Other long-term benefits	N/A
Termination benefits	N/A
<b>Total</b>	<b>4,258</b>

##### b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council's typical provision of services (e.g. payment of Rates/Annual Charges by KMP; access to library or Council swimming pool by KMP) will not be disclosed.

Aside from these arm's length "ordinary citizen transactions", no further transactions between KMP (and their related parties) and Council took place during the reporting period.

**END OF AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS**



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### City of Sydney Council

To the Councillors of the City of Sydney Council

### Opinion

I have audited the accompanying financial statements of City of Sydney Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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



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

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

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

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

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 28 October 2016.

### **The Councillors' Responsibility 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

### **Auditor's Responsibility 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/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- 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.



Margaret Crawford  
Auditor-General of NSW

24 October 2017  
SYDNEY



Ms Clover Moore  
Lord Mayor  
City of Sydney Council  
Town Hall House  
456 Kent Street  
SYDNEY NSW 2000

Contact: Margaret Crawford  
Phone no: 02 9725 7101  
Our ref: D1724678/1791

24 October 2017

Dear Lord Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2017  
City of Sydney Council**

I have audited the general purpose financial statements of the City of Sydney Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

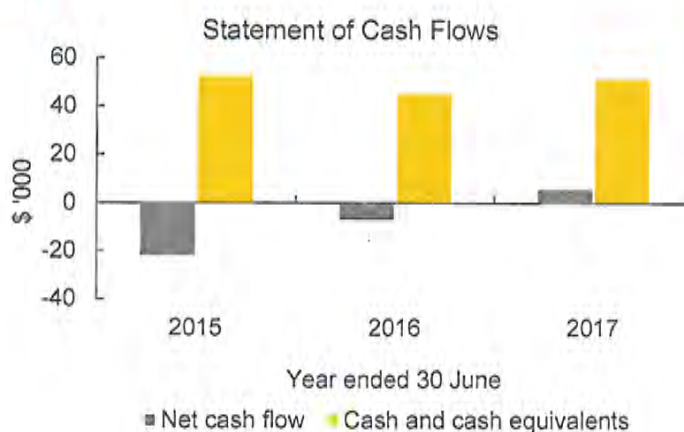
	2017 \$m	2016 \$m	Variance %
Rates and annual charges revenue	312.7	300.2	4.2% ↑
Grants and contributions revenue	137.4	140.3	2.1% ↓
Operating result for the year	144.0	111.5	29.1% ↑
Net operating result before capital amounts	24.9	(15.6)	259.6% ↑

- Rates and annual charges revenue increased by \$12.5 million or 4.2 per cent. This was mainly due to additional rates revenue from Barangaroo, Darling Harbour Live and the allowable rate increase by IPART of 1.8 per cent.
- Grants and contributions revenue decreased marginally by \$2.9 million or 2.1 per cent mainly due to the timing of the receipts.
- The Council's operating result was \$32.5 million or 29.1 per cent higher than 2015–16 because of the \$27.4 million increase in the value of investment properties and additional rates revenue described above.

## STATEMENT OF CASH FLOWS

Over the past three years, the Council's net cash flows ranged from net cash outflows of \$7.3 million in 2015–16 to net cash inflows of \$6.1 million in 2016–17. Over this period, the Council generated enough operating cash flow surpluses to maintain, renew and develop community infrastructure.

Council's cash and cash equivalents remained largely consistent over the past three years.



## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	100.7	141.6	Externally restricted balances include cash reserve earmarked for specific purposes such as developer contributions and domestic waste management charges.
Internal restrictions	301.4	346.1	
Unrestricted	113.7	82.2	
Cash and investments	515.8	569.9	Council also imposes Internal restrictions due to policy or decisions for forward planning. This include cash and investments held for the city centre transformation reserve and the Green square reserve. Unrestricted balances provide liquidity for day-to-day operations.

## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.



## Operating performance ratio

The Council's operating performance, after adjusting for capital related contribution to the light rail project, is above the benchmark level.

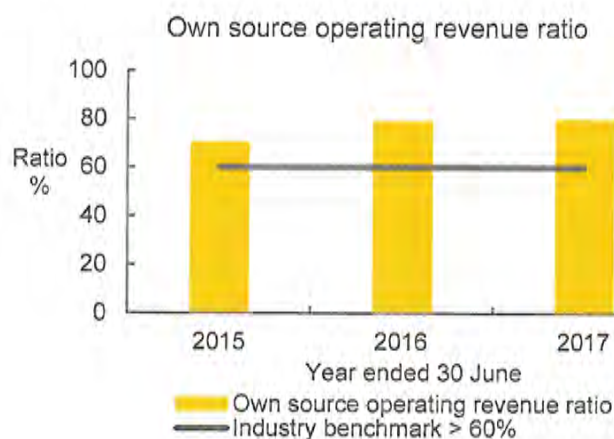
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is a ratio 'greater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



## Own source operating revenue ratio

The Council's own source operating revenue exceeded the benchmark over the past three years. This increased from 78.7 per cent in 2016 to 79.7 per cent in 2017.

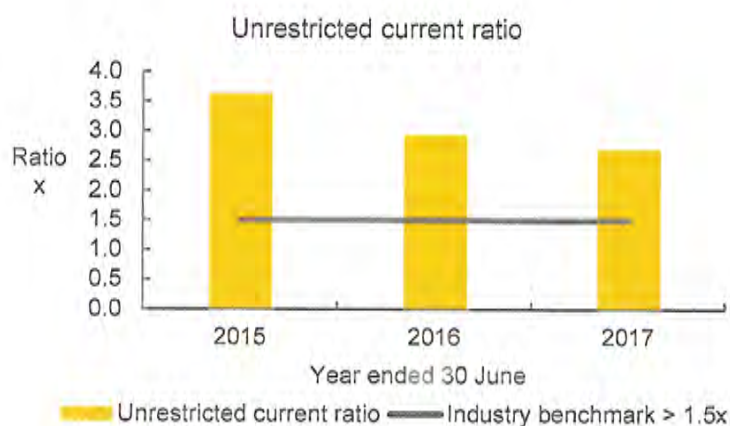
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



## Unrestricted current ratio

The Council's unrestricted current ratio exceeded benchmark over the past three years. The reduced ratio in the past two years was mainly due to contributions to Transport NSW for the light rail project.

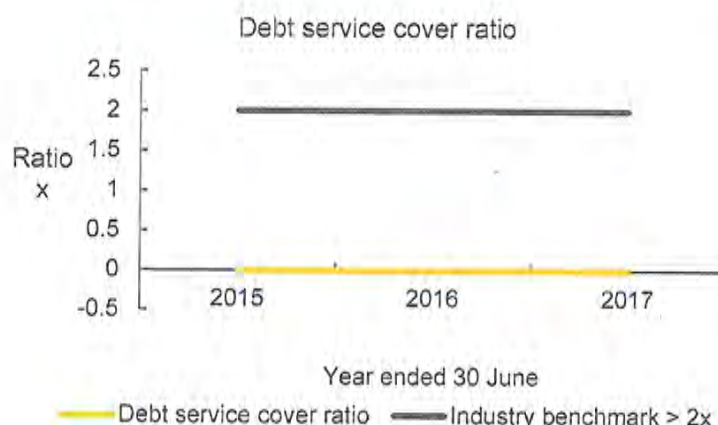
The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



## Debt service cover ratio

The Council does not currently have any debt.

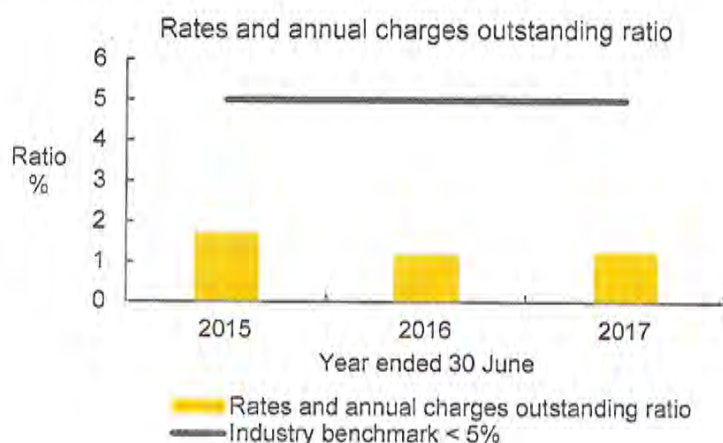
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding ratio

The Council's rates and annual charges outstanding ratio have been below 2 per cent over the past three years, significantly better than the benchmark level of 'less than 5 per cent'.

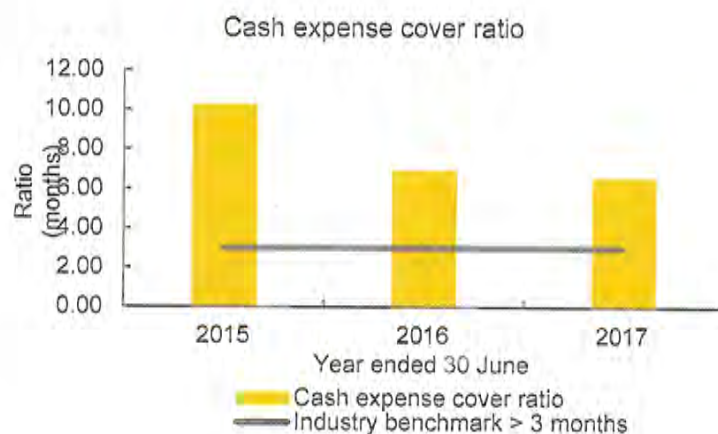
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



## Cash expense cover ratio

The Council's cash expense ratio exceeded the industry benchmark over the past three years. Consistent with the Long Term Financial Plan, cash and investment balances is expected to reduce over the next five years with the delivery of major projects and contributions toward the Transport NSW's Light Rail Project.

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





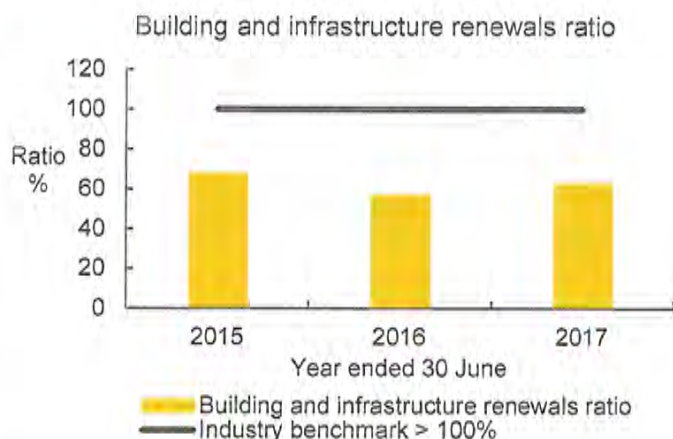
## Building and infrastructure renewals ratio

The Council's building and infrastructure renewals ratio increased from 57.0 per cent in 2016 to 62.6 per cent in 2017. The Council's rate of asset renewal is lower than the relative rate at which assets are depreciated.

The Council ensures it matches the required expenditure for asset renewal with the actual condition assessment of the assets through its asset management program.

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

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



## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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

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

### Legislative compliance

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

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

The Council's:

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



Margaret Crawford  
Auditor-General of NSW

24 October 2017  
SYDNEY

cc: Monica Barone, Chief Executive Officer  
Elizabeth Crouch, Chair of Audit Risk and Compliance Committee  
Tim Hurst, Acting Chief Executive of the Office of Local Government





# City of Sydney

## Special Purpose Financial Statements for the year ended 30 June 2017

Contents	Page
<b>1. Statement by Councillors and Management</b>	SP2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Other Business Activities	SP3
Statement of Financial Position – Other Business Activities	SP4
<b>3. Notes to the Special Purpose Financial Statements</b>	SP5
<b>4. Auditor's Report</b>	

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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).
-



## City of Sydney

### Special Purpose Financial Statements for the year ended 30 June 2017

### 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:**

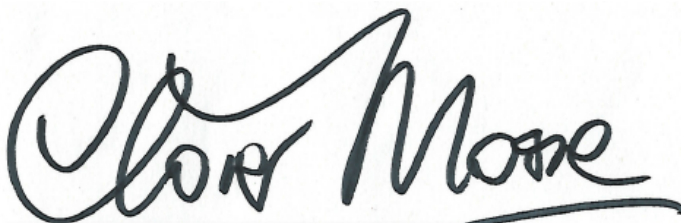

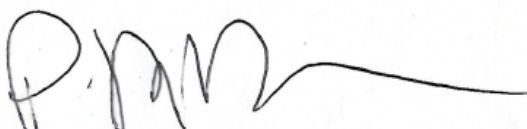

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

Signed in accordance with a resolution of Council made on 23 October 2017.

  
**Clover Moore**  
Lord Mayor  
**Jess Scully**  
Councillor  
(Member - Audit, Risk and Compliance Committee)  
**Monica Barone**  
Chief Executive Officer  
**Bill Carter**  
Chief Financial Officer

## City of Sydney

# Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

## Parking Stations

## Category 1

\$ '000	Category 1	
	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
User charges	10,009	9,695
<b>Total income from continuing operations</b>	<b>10,009</b>	<b>9,695</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	162	159
Materials and contracts	1,585	1,588
Depreciation, amortisation and impairment	1,514	1,542
Calculated taxation equivalents	89	82
Other expenses	1,669	1,620
<b>Total expenses from continuing operations</b>	<b>5,019</b>	<b>4,990</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>4,990</b>	<b>4,704</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>4,990</b>	<b>4,704</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,497)	(1,411)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,493</b>	<b>3,293</b>
Plus opening retained profits	76,077	71,291
– Taxation equivalent payments	89	82
– Corporate taxation equivalent	1,497	1,411
<b>Closing retained profits</b>	<b>81,156</b>	<b>76,077</b>
<b>Return on capital %</b>	<b>5.2%</b>	<b>11.5%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>

## City of Sydney

Statement of Financial Position – Council's Other Business Activities  
as at 30 June 2017

	Parking Stations	
	Category 1	
\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	64	73
<b>Total Current Assets</b>	<b>64</b>	<b>73</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	96,869	40,848
Inter-Entity Debtor	67,652	59,607
<b>Total non-current assets</b>	<b>164,521</b>	<b>100,455</b>
<b>TOTAL ASSETS</b>	<b>164,585</b>	<b>100,528</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	759	725
Provisions	55	54
<b>Total current liabilities</b>	<b>814</b>	<b>779</b>
<b>Non-current liabilities</b>		
Provisions	17	20
<b>Total non-current liabilities</b>	<b>17</b>	<b>20</b>
<b>TOTAL LIABILITIES</b>	<b>831</b>	<b>799</b>
<b>NET ASSETS</b>	<b>163,754</b>	<b>99,729</b>
<b>EQUITY</b>		
Retained earnings	81,156	76,077
Revaluation reserves	82,598	23,652
Council equity interest	163,754	99,729
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>163,754</b>	<b>99,729</b>

# CITY OF SYDNEY

## NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS for the year ended 30 June 2017

### Note 1 Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the SPFR for National Competition Policy reporting purposes follows.

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and the Department of Local Government. For the purposes of these statements, the Council is not a reporting 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 AASB and Australian Accounting Interpretations. The disclosures in these special purpose financial statements have been prepared in accordance with the Local Government Act and Regulation and the Local Government Code of Accounting Practice and Financial Reporting.

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

#### National competition policy

Council has adopted the principle of 'competitive neutrality' to 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 Government Policy statement on the '*Application of National Competition Policy to Local Government*'. The '*Pricing & Costing for Council Businesses A Guide to Competitive Neutrality*' issued by the Department of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of 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 & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council declared in its 2016-17 Operational Plan that the following are to be considered as business activities:

#### Category 1 (where turnover is greater than \$2M p.a.)

Name	Brief Description of Activity
Parking Stations	Operation of the Goulburn Street and Kings Cross Parking Stations

#### Monetary amounts

Amounts shown in the financial statements are in Australian currency 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 (Special Purpose Financial Report) 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 the SPFR. 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 Tax Rate	30% applicable on surplus
Land Tax	\$100 for \$549,000 + 1.6% on \$549,000 to \$3,357,000 + 2% on taxable values above \$3,357,000
Payroll Tax	5.45% (\$750,000 threshold applied)

**NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2017**

**Note 1 - Significant Accounting Policies (continued)**

**Income tax**

An income tax equivalent has been applied on the profits of the business. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional, that is, it is payable to the "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 GPFR. The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

**Local Government rates and charges**

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

*(ii) Subsidies*

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed. Subsidies occur where 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. The overall effect of subsidies is contained within the Income statement of Business Activities.

*(iii) Return on investments (rate of return)*

The 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". Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income statement.

The Calculation of Return on Capital is as follows:

Surplus/(Deficit) from continuing operations before Capital amounts + Interest expense  
Total Written Down Value of Property, Plant and Equipment

*(iv) Dividends*

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

**END OF AUDITED FINANCIAL REPORT**



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statement**

#### **City of Sydney Council**

To the Councillors of the City of Sydney Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of City of Sydney Council's (the Council) Declared Business Activities, which comprise the statement of financial position of the Declared Business Activity as at 30 June 2017, the income statement of the Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activity declared by Council, and the Statement by Councillors and Management.

The Declared Business Activity of the Council is:

- Parking Station Operations

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2017, and the financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

### **Basis for Opinion**

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

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

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

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

### **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 Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.



## **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 28 October 2016.

## **The Councillors' Responsibility 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activity.

## **Auditor's Responsibility 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:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



A Oyetunji  
Director, Financial Audit Services

25 October 2017  
SYDNEY







# City of Sydney

## Special Schedules for the year ended 30 June 2017

### Contents

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#### Special Schedules<sup>1</sup>

<b>Special Schedule 1</b>	Net Cost of Services	SS2
<b>Special Schedule 7</b>	Report on Infrastructure Assets	SS4
<b>Special Schedule 8</b>	Permissible Income Calculation	SS9

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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#### Background

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

## City of Sydney

# Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>9,237</b>	<b>1</b>	<b>–</b>	<b>(9,236)</b>
<b>Administration</b>	<b>153,926</b>	<b>5,095</b>	<b>4,180</b>	<b>(144,651)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	3,916	–	–	(3,916)
Beach control	–	–	–	–
Enforcement of local government regulations	22,140	32,639	–	10,499
Animal control	–	–	–	–
Other	6,571	–	–	(6,571)
<b>Total public order and safety</b>	<b>32,627</b>	<b>32,639</b>	<b>–</b>	<b>11</b>
<b>Health</b>	<b>15,457</b>	<b>11,367</b>	<b>–</b>	<b>(4,090)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	5,992	859	–	(5,133)
Solid waste management	30,913	43,091	–	12,179
Street cleaning	28,176	163	–	(28,012)
Drainage	3,914	1,945	–	(1,969)
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>68,995</b>	<b>46,058</b>	<b>–</b>	<b>(22,936)</b>
<b>Community services and education</b>				
Administration and education	3,000	45	–	(2,955)
Social protection (welfare)	3,075	42	–	(3,033)
Aged persons and disabled	3,239	1,399	–	(1,840)
Children's services	7,782	3,829	–	(3,952)
<b>Total community services and education</b>	<b>17,096</b>	<b>5,315</b>	<b>–</b>	<b>(11,781)</b>
<b>Housing and community amenities</b>				
Public cemeteries	–	–	–	–
Public conveniences	130	–	–	(130)
Street lighting	16,706	12,237	27	(4,442)
Town planning	27,665	6,856	114,812	94,004
Other community amenities	2,281	–	–	(2,281)
<b>Total housing and community amenities</b>	<b>46,783</b>	<b>19,094</b>	<b>114,839</b>	<b>87,150</b>
<b>Water supplies</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Sewerage services</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## City of Sydney

# Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	10,958	625	–	(10,332)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	13,223	1,073	–	(12,150)
Performing arts venues	795	268	–	(527)
Other performing arts	–	–	–	–
Other cultural services	41,430	724	–	(40,706)
Sporting grounds and venues	1,483	–	–	(1,483)
Swimming pools	6,998	991	–	(6,007)
Parks and gardens (lakes)	42,612	50	–	(42,562)
Other sport and recreation	3,505	1,261	–	(2,244)
<b>Total recreation and culture</b>	<b>121,004</b>	<b>4,993</b>	<b>–</b>	<b>(116,011)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	29,278	7,250	–	(22,028)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	13,015	46,770	–	33,755
Footpaths	14,790	–	–	(14,790)
Aerodromes	–	–	–	–
Other transport and communication	8,561	9,544	124	1,107
<b>Total transport and communication</b>	<b>65,643</b>	<b>63,564</b>	<b>124</b>	<b>(1,956)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	46,971	123,484	–	76,512
<b>Total economic affairs</b>	<b>46,971</b>	<b>123,484</b>	<b>–</b>	<b>76,512</b>
<b>Totals – functions</b>	<b>577,740</b>	<b>311,610</b>	<b>119,144</b>	<b>(146,986)</b>
<b>General purpose revenues <sup>(1)</sup></b>	<b>–</b>	<b>290,985</b>	<b>–</b>	<b>290,985</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>577,740</b>	<b>602,595</b>	<b>119,144</b>	<b>143,999</b>

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

(2) As reported in the Income Statement

## City of Sydney

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard <sup>a</sup>	Estimated cost to bring to the agreed level of service set by Council <sup>b</sup>	2016/17 Required maintenance <sup>c</sup>	2016/17 Actual maintenance <sup>c</sup>	Net carrying amount <sup>d</sup>	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Buildings – non-specialised	40,016	25,782	30,651	28,955	1,334,089	1,828,810	2%	71%	25%	2%	0%
	Buildings – specialised	5,191	4,760	1,430	1,482	31,048	43,224	3%	48%	45%	2%	2%
	<b>Sub-total</b>	<b>45,207</b>	<b>30,542</b>	<b>32,081</b>	<b>30,437</b>	<b>1,365,138</b>	<b>1,872,034</b>	<b>2.2%</b>	<b>70.0%</b>	<b>25.3%</b>	<b>2.1%</b>	<b>0.3%</b>
Roads												
	Sealed roads – Surface	9,703	555	3,134	3,673	135,206	188,051	25%	60%	14%	1%	0%
	Sealed roads – Structure	970	970	373	157	395,498	447,130	20%	76%	3%	1%	0%
	Bridges	8,774	1,998	44	131	41,809	88,597	2%	18%	73%	7%	0%
	Footpaths	13,285	10,003	4,415	4,403	218,457	529,769	7%	46%	44%	3%	0%
	Kerb and Gutter	2,318	404	759	1,112	73,232	303,670	1%	77%	22%	0%	0%
	Other road assets <sup>e</sup>	400	400	2,060	2,033	12,414	38,077	2%	38%	59%	1%	0%
	<b>Sub-total</b>	<b>35,450</b>	<b>14,331</b>	<b>10,785</b>	<b>11,508</b>	<b>876,616</b>	<b>1,595,293</b>	<b>11.0%</b>	<b>60.2%</b>	<b>26.7%</b>	<b>2.0%</b>	<b>0.1%</b>
Stormwater drainage												
	Stormwater drainage	3,000	3,000	2,562	2,574	198,184	304,776	8%	90%	1%	0%	0%
	<b>Sub-total</b>	<b>3,000</b>	<b>3,000</b>	<b>2,562</b>	<b>2,574</b>	<b>198,184</b>	<b>304,776</b>	<b>8.0%</b>	<b>90.5%</b>	<b>1.2%</b>	<b>0.4%</b>	<b>0.0%</b>
Open space/ recreational assets												
	Open Space	10,359	7,398	14,433	15,429	209,134	448,097	6%	45%	46%	2%	0%
	<b>Sub-total</b>	<b>10,359</b>	<b>7,398</b>	<b>14,433</b>	<b>15,429</b>	<b>209,134</b>	<b>448,097</b>	<b>6.4%</b>	<b>45.4%</b>	<b>46.5%</b>	<b>1.7%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>94,016</b>	<b>55,271</b>	<b>59,862</b>	<b>59,948</b>	<b>2,649,071</b>	<b>4,220,200</b>	<b>6.4%</b>	<b>65.2%</b>	<b>26.3%</b>	<b>1.9%</b>	<b>0.2%</b>

## City of Sydney

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

## Notes:

- a **Estimated Cost to Bring To Satisfactory Standard** per Office of Local Government Requirements, reflects the estimated cost to restore all Council assets to condition '2' or better. These cost (and asset condition) assessments remain highly subjective, as in previous years
- b **Estimated Cost to Bring to the Agreed Level of Service Set by Council** reflects the estimated cost to restore all assets assessed to be at a condition beneath Council's minimum service levels. These standards (i.e. target conditions) are detailed in Council's Asset Management Strategy, and reflect the strategy of maximising the consumption of assets' service potential before renewal works are undertaken.
- c Maintenance costs, per Office of Local Government Requirements, include both maintenance and (appropriate) operational costs  
*Required* maintenance reflects amounts identified within Asset Management Plans for the respective classes, and equivalent expenditure types are included within the 'Actual' column
- d Carrying Value reflects the asset value by class, per Note 9 of the General Purpose Financial Statements. Added to the Buildings class is the carrying value of Council's 'Investment Properties', per Note 14 of the General Purpose Financial Statements
- e 'Other' infrastructure includes street furniture and street fixtures (e.g. traffic islands)

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## City of Sydney

# Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

\$ '000	Amounts 2017	Indicator 2017	Prior periods	
			2016	2015
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals <sup>(1)</sup>	53,365	62.59%	57.01%	68.03%
Depreciation, amortisation and impairment	85,259			
1a. Infrastructure renewals ratio (alternate)				
Asset renewals <sup>(1)</sup>	53,365	88.47%	87.13%	107.90%
Required asset renewal (per adopted asset management strategy)	60,320			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	94,016	3.55%	3.54%	2.83%
Net carrying amount of infrastructure assets	2,649,071			
3. Asset maintenance ratio				
Actual asset maintenance	59,948	1.00	1.02	1.04
Required asset maintenance	59,862			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	55,271	1.31%	1.80%	0.00%
Gross replacement cost	4,220,200			

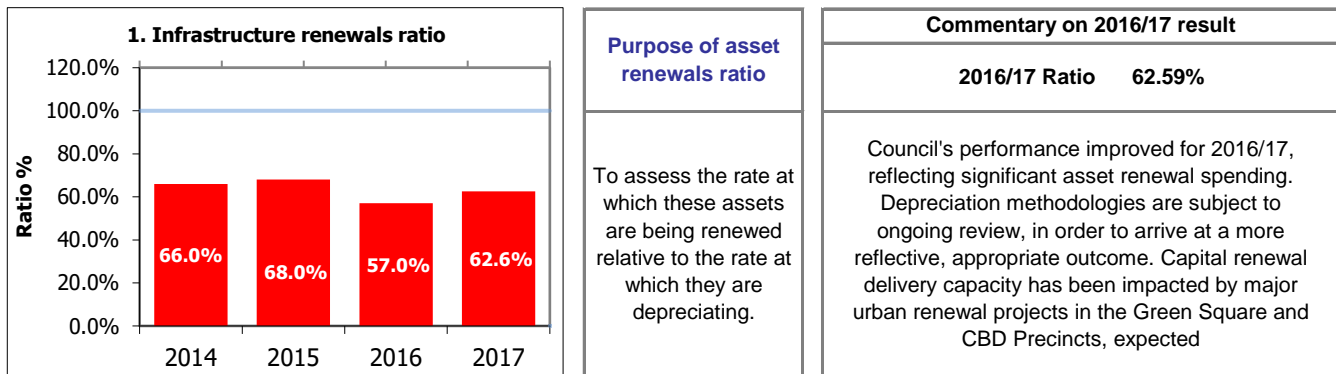
## Notes

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

<sup>(1)</sup> 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.

## Special Schedule 7 – Report on Infrastructure Assets (continued)

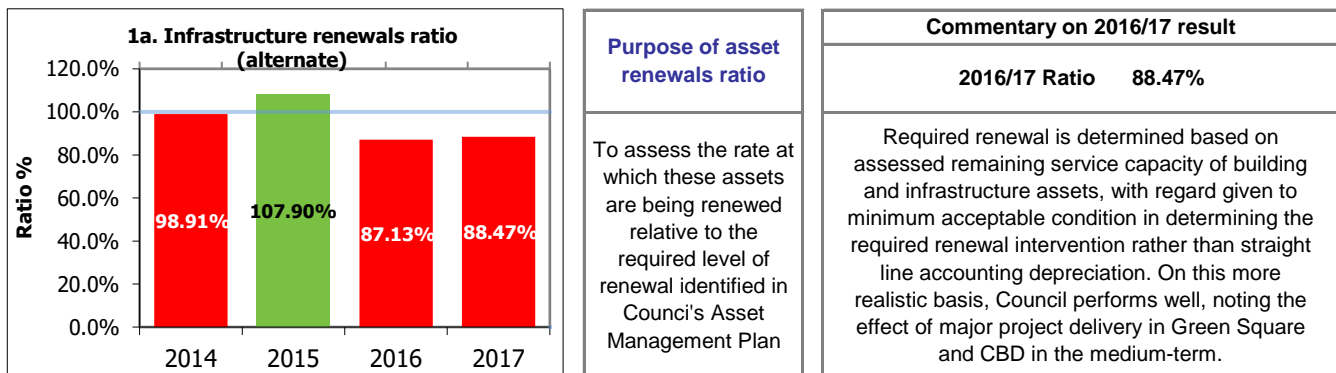
for the year ended 30 June 2017



Benchmark: — Minimum  $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

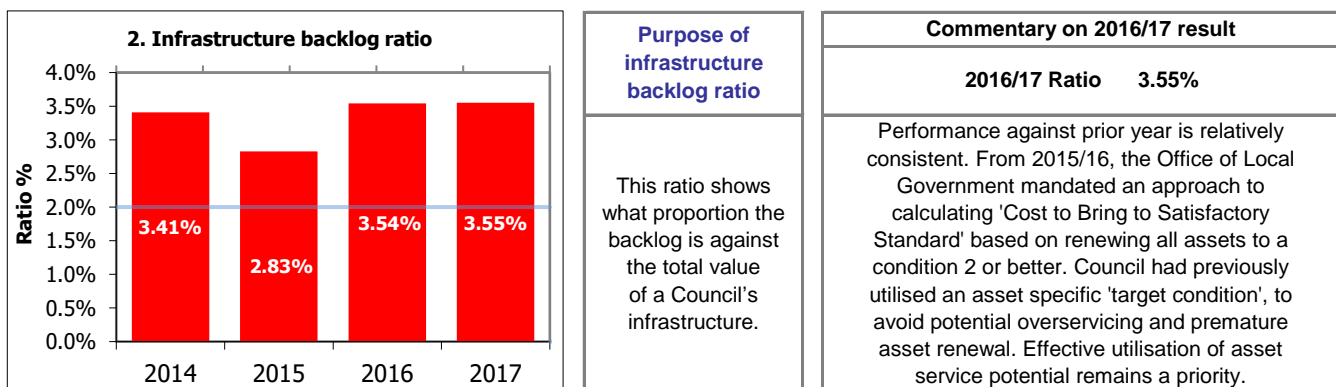
Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Minimum  $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



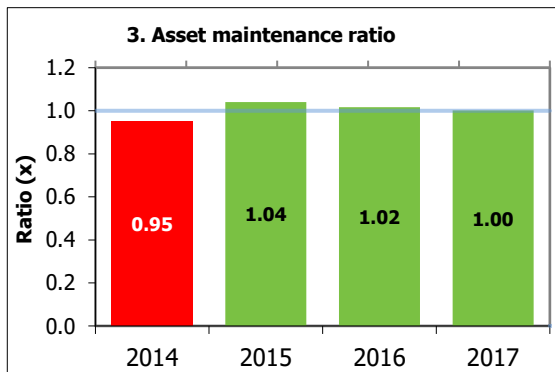
Benchmark: — Maximum  $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark

## Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017



### Purpose of 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 2016/17 result

**2016/17 Ratio 1.00**

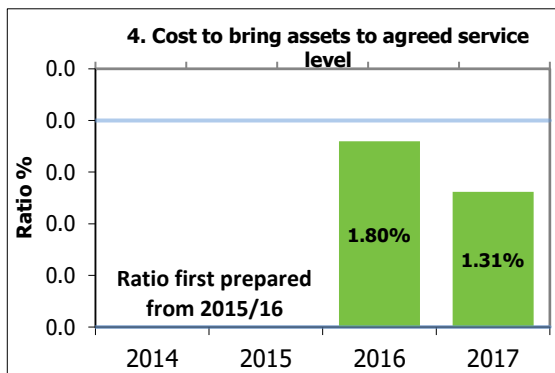
Council has met the benchmark of this ratio. A ratio significantly in excess of 100% would represent potential overservicing of assets. "Required" maintenance totals are subject to ongoing refinement as part of asset management planning. Maintenance timing/cycles vary, from time to time, as asset condition assessments are undertaken.

Benchmark: — Minimum >1.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25



Ratio achieves benchmark  
Ratio is outside benchmark



### Purpose of agreed service level ratio

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

### Commentary on 2016/17 result

**2016/17 Ratio 1.31%**

Council meets the benchmark for this recently introduced ratio - comparative information for 2014/15 and earlier is not available, but will become increasingly applicable in future years. This ratio is considered to be more reflective of Council's infrastructure 'backlog', particularly due to the use of gross replacement cost in calculation.

Benchmark: — Minimum >=0.00% Maximum <2.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #25



Ratio achieves benchmark  
Ratio is outside benchmark



## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	263,835	271,779
Plus or minus adjustments <sup>(2)</sup>	b	3,157	4,000
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>266,992</b>	<b>275,778</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
rate peg percentage	e	1.80%	0.00%
crown land adjustment (incl. rate peg percentage)	f	0.00%	2.58%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	—	—
plus rate peg amount	$i = c \times e$	4,806	—
plus Crown land adjustment and rate peg amount	$j = c \times f$	—	7,115
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>271,798</b>	<b>282,893</b>
Plus (or minus) last year's carry forward total	l	12	32
Less valuation objections claimed in the previous year	m	—	—
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>12</b>	<b>32</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>271,810</b>	<b>282,925</b>
Less notional general income yield	p	271,779	271,183
<b>Catch-up or (excess) result</b>	<b>q = o - p</b>	<b>32</b>	<b>11,742</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	—	—
Less unused catch-up <sup>(5)</sup>	s	—	(13)
<b>Carry forward to next year</b>	<b>t = q + r - s</b>	<b>32</b>	<b>11,730</b>

## Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a 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 Special Schedule 8 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

### City of Sydney Council

To the Councillors of City of Sydney Council

### Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of City of Sydney Council (the Council) for the year ending 30 June 2017.

In my opinion, Special Schedule No. 8 of City of Sydney Council for 30 June 2017 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes 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 Special Schedule No.8' section of my report.

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

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

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

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

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

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

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

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## **Other Matter**

Special Schedule No.8 of the Council for the year ended 30 June 2016 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 28 October 2016.

## **Councillors' Responsibility for Special Schedule No. 8**

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 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 Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of Special Schedule No. 8**

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 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 Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



A Oyetunji  
Director, Financial Audit Services

25 October 2017  
SYDNEY