

**ATTACHMENT A**

**ANNUAL FINANCIAL STATEMENTS 2015/16  
(INCORPORATING AUDITOR'S REPORTS)**





# City of Sydney

## General Purpose Financial Statements

for the year ended 30 June 2016

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### Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated 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 24 October 2016. 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 2016

### 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 2016.

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 (that generally specialise in local government). 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 2016.

## City of Sydney

### General Purpose Financial Statements for the year ended 30 June 2016

### 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:**

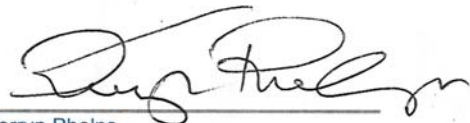
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

**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 24 October 2016.**



Clover Moore  
Lord Mayor



Kerryn Phelps  
Deputy Lord Mayor



Monica Barone  
Chief Executive Officer



Bill Carter  
Chief Financial Officer

## City of Sydney

## Income Statement

for the year ended 30 June 2016

Budget <sup>1</sup> 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
301,289	Rates and annual charges	3a	300,216	289,134
102,602	User charges and fees	3b	102,001	102,985
15,226	Interest and investment revenue	3c	20,270	23,255
95,908	Other revenues	3d	113,043	95,361
12,992	Grants and contributions provided for operating purposes	3e,f	13,268	13,743
59,359	Grants and contributions provided for capital purposes	3e,f	127,066	202,793
<b>Other income:</b>				
–	Net gains from the disposal of assets	5	3,367	8,281
<b>587,376</b>	<b>Total income from continuing operations</b>		<b>679,231</b>	<b>735,552</b>
<b>Expenses from continuing operations</b>				
209,366	Employee benefits and on-costs	4a	217,895	203,711
–	Borrowing costs	4b	–	–
97,378	Materials and contracts	4c	90,421	87,691
102,819	Depreciation and amortisation	4d	110,488	113,198
105,609	Other expenses	4e	99,754	100,839
48,600	<i>Contribution to Transport for NSW – CBD and South East Light Rail Project</i>	4e	48,600	19,600
<b>563,772</b>	<b>Total expenses from continuing operations</b>		<b>567,159</b>	<b>525,039</b>
<b>23,604</b>	<b>Operating result from continuing operations</b>		<b>112,072</b>	<b>210,512</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>23,604</b>	<b>Net operating result for the year</b>		<b>112,072</b>	<b>210,512</b>
<b>(35,755)</b>	<b>Net Operating Result for the year excluding Grants and Contributions provided for Capital Purposes</b>		<b>(14,993)</b>	<b>7,720</b>
<b>12,845</b>	<b>Net Operating Result for the year excluding Capital Grants and Contributions Income and Contribution to Light Rail</b>		<b>33,607</b>	<b>27,320</b>

<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 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>112,072</b>	<b>210,512</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)	1,131,218	–
Gain (loss) on revaluation of I,PP&E (Trust Asset Reserve)	20b (ii)	2,549,705	–
Adjustment to correct prior period errors (depreciation)	20c	226,982	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>3,907,904</b>	<b>–</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>–</b>	<b>–</b>
<b>Total other comprehensive income for the year</b>		<b>3,907,904</b>	<b>–</b>
<b>Total comprehensive income for the year</b>		<b>4,019,977</b>	<b>210,512</b>



## City of Sydney

## Statement of Financial Position

as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	45,726	53,029
Investments	6b	288,145	342,094
Receivables	7	57,593	61,151
Inventories	8	1,009	696
Other	8	3,829	3,986
<b>Total current assets</b>		<b>396,302</b>	<b>460,956</b>
<b>Non-current assets</b>			
Investments	6b	236,043	229,265
Receivables	7	36,250	32,598
Infrastructure, property, plant and equipment	9	10,922,625	6,867,931
Investment property	14	223,275	204,090
Other	8	182	197
<b>Total non-current assets</b>		<b>11,418,375</b>	<b>7,334,081</b>
<b>TOTAL ASSETS</b>		<b>11,814,677</b>	<b>7,795,037</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	89,886	95,640
Provisions	10	61,353	57,426
<b>Total current liabilities</b>		<b>151,239</b>	<b>153,066</b>
<b>Non-current liabilities</b>			
Provisions	10	24,691	23,201
<b>Total non-current liabilities</b>		<b>24,691</b>	<b>23,201</b>
<b>TOTAL LIABILITIES</b>		<b>175,930</b>	<b>176,267</b>
<b>Net assets</b>		<b>11,638,747</b>	<b>7,618,770</b>
<b>EQUITY</b>			
Retained earnings	20	3,508,852	3,150,576
Revaluation reserves	20	8,129,894	4,468,194
<b>Council equity interest</b>		<b>11,638,747</b>	<b>7,618,770</b>
<b>Total equity</b>		<b>11,638,747</b>	<b>7,618,770</b>

## City of Sydney

Statement of Changes in Equity  
for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		3,150,576	4,468,194	7,618,770	–	7,618,770
<b>Net operating result for the year</b>		112,072	–	112,072	–	112,072
<b>Other comprehensive income</b>						
– Correction of prior period errors	20 (c)	226,982	–	226,982		226,982
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	1,131,218	1,131,218	–	1,131,218
– Revaluations: Trust Assets revaluation reserve	20b (ii)	–	2,549,705	2,549,705	–	2,549,705
<b>Other comprehensive income</b>		<b>226,982</b>	<b>3,680,922</b>	<b>3,907,904</b>	<b>–</b>	<b>3,907,904</b>
<b>Total comprehensive income</b>		<b>339,054</b>	<b>3,680,922</b>	<b>4,019,977</b>	<b>–</b>	<b>4,019,977</b>
Transfers between equity		19,222	(19,222)	–		–
<b>Equity – balance at end of the reporting period</b>		<b>3,508,852</b>	<b>8,129,894</b>	<b>11,638,747</b>	<b>–</b>	<b>11,638,747</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		2,940,064	4,468,194	7,408,258	–	7,408,258
<b>Revised opening balance</b> (as at 1/7/14)		<b>2,940,064</b>	<b>4,468,194</b>	<b>7,408,258</b>	<b>–</b>	<b>7,408,258</b>
<b>Net operating result for the year</b>		210,512	–	210,512	–	210,512
<b>Total comprehensive income</b>		<b>210,512</b>	<b>–</b>	<b>210,512</b>	<b>–</b>	<b>210,512</b>
<b>Equity – balance at end of the reporting period</b>		<b>3,150,576</b>	<b>4,468,194</b>	<b>7,618,770</b>	<b>–</b>	<b>7,618,770</b>

## City of Sydney

## Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
301,289	Rates and annual charges		299,628	302,688
102,102	User charges and fees		117,034	110,465
15,226	Investment and interest revenue received		20,780	24,369
72,351	Grants and contributions		73,757	109,975
–	Bonds, deposits and retention amounts received		14,214	9,090
95,313	Other		133,189	118,174
<b>Payments:</b>				
(209,366)	Employee benefits and on-costs		(211,628)	(203,565)
(89,397)	Materials and contracts		(103,997)	(107,272)
–	Bonds, deposits and retention amounts refunded		(13,218)	(7,488)
(148,333)	Other		(173,069)	(137,630)
139,184	<b>Net cash provided (or used in) operating activities</b>	11b	156,690	218,805
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
94,938	Sale/recovery of investment securities		531,500	411,000
50,690	Sale of infrastructure, property, plant and equipment		17,125	21,264
<b>Payments:</b>				
–	Purchase of investment securities		(484,089)	(491,470)
(1,304)	Additions to investment property		(1,859)	(1,480)
(316,686)	Purchase of infrastructure, property, plant and equipment		(226,670)	(180,491)
(172,362)	<b>Net cash provided (or used in) investing activities</b>		(163,994)	(241,177)
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
Nil				
(33,178)	<b>Net increase/(decrease) in cash and cash equivalents</b>		(7,303)	(22,371)
49,334	Plus: cash and cash equivalents – beginning of year	11a	53,029	75,400
16,156	<b>Cash and cash equivalents – end of the year</b>	11a	45,726	53,029
Additional Information:				
392,728	plus: Investments on hand – end of year	6b	524,187	571,359
408,884	<b>Total cash, cash equivalents and investments</b>		569,913	624,387

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 2016

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## CITY OF SYDNEY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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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 the City of Sydney controls and have been prepared on the accrual basis of accounting.

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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2015 affected any of the amounts recognised in the current period or any prior period. All standards are regularly monitored to determine their potential effect on future periods.

#### *Early adoption of standards*

Council has elected to apply amendments to AASB 13 under AASB 2015-7 Amendments to Australian Accounting Standards for Fair Value Disclosures of Not-for-Profit Sector Entities in the preparation of these financial statements. This standard will apply to annual reporting periods beginning on or after 1 July 2015.

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*

City of Sydney 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 2016. 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 are recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were 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'.

**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 from the divestment of commercial properties that are surplus to requirements are 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. In accordance with Council's resolution, a final \$2M was set aside in 2014/15.

**Community Facilities** – Cash proceeds from the divestment of properties that no longer fulfil community needs are 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 proceeds from the divestment of surplus operational properties are 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 immediate 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

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 (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 – Exterior Fabric and components	15 – 200 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	100 years
Roads – Upper Strata	20 – 50 years
Street Furniture	20 years
Swimming Pools	30 years
Vehicles & Road-making Equipment	7 years
Bulk Earthworks	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 using a discounted cash flow model.

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 owner-occupied and owner-operated properties of Council 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'.

Investment property includes properties that are under construction for future use as investment properties. These 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 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)

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.

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 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.

Operating 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.



## 21. 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 WorkCover'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

Council has an agreement with NSW Police for the provision of parking enforcement services within the CBD. Under this agreement Council has agreed to pay NSW Police 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.

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 depreciated replacement cost approach.
- Community land is valued on the deprival method using Valuer-General valuations of immediately adjacent properties.
- 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 127 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. Assets will be recognised appropriately at the time of transfer to Council.

## 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 2016. 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.

#### *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.

*(iii) AASB 124 - Related Party Disclosures*

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Lord Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

*(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 24 October 2016. 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 2016

## 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 2016	Actual 2016	Actual 2015	Original Budget 2016	Actual 2016	Actual 2015	Original Budget 2016	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Globally competitive and innovative city	38,786	34,660	36,487	52,598	48,393	47,280	(13,812)	(13,733)	(10,793)	-	-	2,096	12,347
Leading environmental performer	1,722	1,375	2,277	76,110	75,786	73,333	(74,388)	(74,411)	(71,055)	1,014	1,099	33,184	33,440
Integrated transport for a connected city	72,103	73,230	75,232	77,223	78,868	80,226	(5,120)	(5,638)	(4,994)	4,557	5,569	1,348,114	1,062,064
City for walking and cycling	1,395	117	148	1,922	1,781	1,847	(526)	(1,664)	(1,699)	117	148	87,089	82,267
Lively and engaging city centre	171	168	193	941	831	885	(771)	(662)	(691)	-	-	114	159
Vibrant local communities and economies	14,438	20,480	17,231	103,128	102,465	98,310	(88,690)	(81,985)	(81,079)	3,846	2,877	8,177,395	4,258,321
Cultural and creative city	2,706	2,639	2,451	6,197	5,995	5,633	(3,490)	(3,356)	(3,181)	-	1	243	353
Housing for a diverse population	-	-	-	335	289	221	(335)	(289)	(221)	-	-	-	-
Sustainable development, renewal and design	40,021	138,371	212,201	37,470	36,160	37,874	2,551	102,211	174,327	-	-	3,139	3,093
Implementation through effective governance and partnerships	134,125	127,050	109,000	207,848	216,591	179,432	(73,723)	(89,541)	(70,432)	132	196	2,163,302	2,342,994
<b>Total Functions &amp; Activities</b>	<b>305,468</b>	<b>398,090</b>	<b>455,219</b>	<b>563,772</b>	<b>567,159</b>	<b>525,039</b>	<b>(258,304)</b>	<b>(169,069)</b>	<b>(69,820)</b>	<b>9,666</b>	<b>9,889</b>	<b>11,814,677</b>	<b>7,795,037</b>
General Purpose Income <sup>1</sup>	281,908	281,141	280,333	-	-	-	281,908	281,141	280,333	5,617	5,685	-	-
<b>Operating Result from Continuing Operations</b>	<b>587,376</b>	<b>679,231</b>	<b>735,552</b>	<b>563,772</b>	<b>567,159</b>	<b>525,039</b>	<b>23,604</b>	<b>112,072</b>	<b>210,512</b>	<b>15,283</b>	<b>15,575</b>	<b>11,814,677</b>	<b>7,795,037</b>

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), United General Purpose Grants & Unrestricted Interest & Investment Income.

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2016

#### 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 2016

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		59,676	57,069
Business		199,336	193,703
<b>Total ordinary rates</b>		<b>259,012</b>	<b>250,772</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		39,329	36,486
Stormwater management services		1,875	1,877
<b>Total annual charges</b>		<b>41,204</b>	<b>38,362</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>300,216</b>	<b>289,134</b>

Council has used 2012 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 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<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		14,690	15,267
Private works – section 67		6,415	5,827
Health inspections		1,500	1,129
<b>Total fees and charges – statutory/regulatory</b>		<b>22,605</b>	<b>22,224</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Child care		2,027	1,905
Advertising space income		6,784	6,445
Parking meter income		37,566	39,291
Parking station income		9,695	9,663
Recreation facilities hire		5,077	4,655
Venue hire		4,673	4,786
Workzone and filming fees		7,656	7,933
Other		5,919	6,082
<b>Total fees and charges – other</b>		<b>79,396</b>	<b>80,762</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>102,001</b>	<b>102,985</b>



## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		326	374
– Interest earned on investments (interest and coupon payment income)		19,704	23,017
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		(1,671)	(135)
– Recovery of prior year losses - Collateralised Debt Obligations (CDOs)		1,911	–
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>20,270</u></b>	<b><u>23,255</u></b>
<b>Interest and investment revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		326	374
General Council cash and investments		3,431	4,105
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		3,206	3,253
– Planning agreements/bonus floorspace levy		617	717
Domestic waste management operations		538	564
Stormwater Management Service Charge		22	47
Specific Purpose Unexpended Grants		11	25
<b>Restricted investments/funds – internal:</b>			
Internally restricted assets		12,119	14,170
<b>Total interest and investment revenue recognised</b>		<b><u>20,270</u></b>	<b><u>23,255</u></b>
<b>(d) Other revenues</b>			
Fair value increments – investment properties	14	17,326	1,180
Rental income – investment properties	14	17,169	15,569
Rental income – other council properties		42,106	42,265
Ex gratia rates		636	620
Fines – enforcement of regulations		31,652	33,769
Sponsorship and donations		1,155	811
Other		2,999	1,146
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>113,043</u></b>	<b><u>95,361</u></b>

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	4,021	4,111	–	–
Financial assistance – local roads component	1,201	1,198	–	–
Pensioners' rates subsidies – general component	396	376	–	–
<b>Total general purpose</b>	<b>5,617</b>	<b>5,685</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Child care	925	889	–	–
Community and recreation	1,836	1,777	–	70
Environmental protection	585	1,157	2,405	1,024
Library	494	482	–	100
Transport (roads to recovery)	–	–	1,615	583
Transport (other roads and bridges funding)	1,497	1,589	310	2,217
<b>Total specific purpose</b>	<b>5,337</b>	<b>5,895</b>	<b>4,329</b>	<b>3,994</b>
<b>Total grants</b>	<b>10,954</b>	<b>11,580</b>	<b>4,329</b>	<b>3,994</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	6,961	6,996	4,019	1,592
– State funding	3,993	4,584	310	2,403
	<b>10,954</b>	<b>11,580</b>	<b>4,329</b>	<b>3,994</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	–	–	23,330	28,007
S 94 – contributions towards amenities/services	–	–	47,279	41,280
S 61 – fixed development consent levies	–	–	11,961	13,425
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>82,570</b>	<b>82,712</b>
<b>Other contributions:</b>				
Asset dedications (other than by s94)	–	–	38,461	114,048
External contributions to capital projects	–	–	1,706	2,039
Other	2,314	2,162	–	–
<b>Total other contributions</b>	<b>2,314</b>	<b>2,162</b>	<b>40,166</b>	<b>116,086</b>
<b>Total contributions</b>	<b>2,314</b>	<b>2,162</b>	<b>122,737</b>	<b>198,798</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>13,268</b>	<b>13,743</b>	<b>127,066</b>	<b>202,793</b>

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	148,460	161,577
Add: grants and contributions recognised in the current period but not yet spent:	83,449	73,752
Less: grants and contributions recognised in a previous reporting period now spent:	(67,101)	(86,868)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>16,347</b>	<b>(13,117)</b>
<b>Unexpended and held as restricted assets</b>	<u><b>164,808</b></u>	<u><b>148,460</b></u>
<b>Comprising:</b>		
– Specific purpose unexpended grants	117	551
– Developer contributions	164,691	147,909
	<u><b>164,808</b></u>	<u><b>148,460</b></u>

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		175,325	166,076
Travel expenses		313	254
Employee leave entitlements (ELE)		20,987	20,098
Superannuation – defined contribution plans		11,599	11,342
Superannuation – defined benefit plans		8,089	7,250
Workers' compensation insurance		3,886	2,271
Fringe benefit tax (FBT)		601	601
Training costs (other than salaries and wages)		1,889	2,008
Other		1,652	1,633
<b>Total employee costs</b>		<b>224,342</b>	<b>211,533</b>
Less: capitalised costs		(6,447)	(7,822)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>217,895</b>	<b>203,711</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>1,800</b>	<b>1,804</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 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts</b>			
Raw materials and consumables		5,070	5,248
Contractor and consultancy costs			
– Building and facilities management		21,616	22,434
– City infrastructure management		8,217	6,369
– Parks management		15,606	15,126
– Waste disposal, recycling and graffiti removal		11,296	11,498
– Project costs and minor contracts		11,242	9,994
– Consultancies		4,142	4,052
Auditors remuneration <sup>(1)</sup>		143	110
Legal expenses:			
– Legal expenses: planning and development		1,091	1,455
– Legal expenses: other		1,630	668
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		901	1,501
Asset maintenance and minor purchases		7,695	7,684
Other		2,901	2,484
<b>Total materials and contracts</b>		<b>91,551</b>	<b>88,621</b>
Less: capitalised costs		(1,129)	(930)
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>90,421</b>	<b>87,691</b>
<b>1. Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (and the Auditors of other consolidated entities):			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		116	110
– Professional Services - Review of budget process for non-residential roll		28	–
<b>Remuneration for audit and other assurance services</b>		<b>143</b>	<b>110</b>
<b>Total Auditor remuneration</b>		<b>143</b>	<b>110</b>
<b>2. Operating lease payments are attributable to:</b>			
Buildings		872	1,477
Other		29	24
		<b>901</b>	<b>1,501</b>

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>(d) Depreciation, amortisation and impairment</b>					
Plant and equipment		–	–	10,321	9,531
Office equipment		–	–	5,403	6,720
Furniture and fittings		–	–	4,761	4,171
Land improvements (depreciable)		–	–	17,551	16,917
Infrastructure:					
– Buildings – non-specialised		–	–	37,425	37,570
– Buildings – specialised		–	–	931	882
– Roads, bridges and footpaths		–	–	29,077	32,937
– Stormwater drainage		–	–	2,698	2,583
Other assets					
– Library resources		–	–	1,318	1,538
– Poles and lighting		–	–	560	25
– Public art / open museum		–	–	445	322
<b><u>TOTAL DEPRECIATION AND</u></b>					
<b><u>IMPAIRMENT COSTS EXPENSED</u></b>		<b>–</b>	<b>–</b>	<b>110,488</b>	<b>113,198</b>

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Other expenses for the year include the following:			
Advertising		3,718	3,147
Bad and doubtful debts		216	561
Bank charges		1,302	1,317
Books and periodicals		136	174
Computer costs		6,401	6,038
Contributions/levies to other levels of government		28,141	25,808
Councillor expenses – Lord Mayoral fee		199	197
Councillor expenses – councillors' fees		352	362
Councillors' expenses (incl. Lord Mayor) – other (excluding fees above)		642	603
Donations, contributions and assistance to other organisations		11,010	9,718
Event and project costs		16,176	15,180
Insurance		2,699	2,862
Land tax and water rates		2,080	2,070
Management fees		39	37
Other property related expenditure		559	449
Parking enforcement - payment to NSW Government		3,715	4,113
Postage and couriers		1,417	888
Printing and stationery		2,246	2,073
Public domain enhancement contributions		1,473	7,174
Research and development		476	447
Security		2,010	1,521
Storage		568	575
Street lighting		4,673	4,886
Telephone and communications		2,340	2,642
Utilities		4,197	4,812
Contribution to Transport for NSW – Light Rail CBD to South East <sup>1</sup>		48,600	19,600
Other		2,968	3,188
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>148,354</u></b>	<b><u>120,439</u></b>

<sup>1</sup> Refer to Note 1 (29) 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 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		14,649	37,425
Less: carrying amount of property assets sold/written off		(12,081)	(28,503)
<b>Net gain/(loss) on disposal</b>		<b>2,568</b>	<b>8,922</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		1,972	2,540
Less: carrying amount of plant and equipment assets sold/written off		(1,173)	(3,185)
<b>Net gain/(loss) on disposal</b>		<b>799</b>	<b>(646)</b>
<b>Financial assets *</b>			
Proceeds from disposal/redemptions/maturities – financial assets		531,500	411,000
Less: carrying amount of financial assets sold/redeemed/matured		(531,500)	(410,995)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>5</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>3,367</b>	<b>8,281</b>
<b>* Financial assets disposals/redemptions include:</b>			
– Net gain/(loss) from financial instruments 'at fair value through profit and loss'		–	5
<b>Net gain/(loss) on disposal of financial instruments</b>		<b>–</b>	<b>5</b>



## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		4,241	–	4,362	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		31,485	–	28,667	–
– Short-term deposits		10,000	–	20,000	–
<b>Total cash and cash equivalents</b>		<b>45,726</b>	<b>–</b>	<b>53,029</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		209,000	34,000	282,000	51,000
– NCD's, FRN's (with maturities > 3 months)		79,145	202,043	60,094	178,265
<b>Total investments</b>		<b>288,145</b>	<b>236,043</b>	<b>342,094</b>	<b>229,265</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>333,870</b>	<b>236,043</b>	<b>395,123</b>	<b>229,265</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**

At fair value through the profit and loss		<b>45,726</b>	<b>–</b>	<b>53,029</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)	79,145	202,043	60,094	178,265
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**b. 'Held to maturity'**

	6(b-ii)	209,000	34,000	282,000	51,000
<b>Investments</b>		<b>288,145</b>	<b>236,043</b>	<b>342,094</b>	<b>229,265</b>

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

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 6b. Investments (continued)

\$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
<b>Note 6(b-i)</b>				
<b>Reconciliation of investments classified as 'at fair value through the profit and loss'</b>				
Balance at the beginning of the year	60,094	178,265	15,144	183,876
Revaluations (through the Income Statement)	(1,510)	(162)	(380)	245
Additions	–	104,000	–	59,469
Disposals (sales and redemptions)	(59,500)	–	(14,995)	(5,000)
Transfers between current/non-current	80,061	(80,061)	60,325	(60,325)
<b>Balance at end of year</b>	<b>79,145</b>	<b>202,043</b>	<b>60,094</b>	<b>178,265</b>
<b>Comprising:</b>				
– NCD's, FRN's (with maturities > 3 months)	79,145	202,043	60,094	178,265
<b>Total</b>	<b>79,145</b>	<b>202,043</b>	<b>60,094</b>	<b>178,265</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of investments classified as 'held to maturity'</b>				
Balance at the beginning of the year	282,000	51,000	246,000	46,000
Additions	362,000	20,000	397,000	35,000
Disposals (sales and redemptions)	(472,000)	–	(391,000)	–
Transfers between current/non-current	37,000	(37,000)	30,000	(30,000)
<b>Balance at end of year</b>	<b>209,000</b>	<b>34,000</b>	<b>282,000</b>	<b>51,000</b>
<b>Comprising:</b>				
– Long term deposits	209,000	34,000	282,000	51,000
<b>Total</b>	<b>209,000</b>	<b>34,000</b>	<b>282,000</b>	<b>51,000</b>
<b>Note 6(b-iii)</b>				
<b>Reconciliation of investments classified as 'loans and receivables'</b>				
Nil				
<b>Note 6(b-iv)</b>				
<b>Reconciliation of investments classified as 'available for sale'</b>				
Nil				

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	<u>333,870</u>	<u>236,043</u>	<u>395,123</u>	<u>229,265</u>
<b>Attributable to:</b>				
External restrictions (refer below)	54,928	86,710	35,797	93,314
Internal restrictions (refer below)	196,729	149,332	252,838	135,951
Unrestricted	82,214	–	106,488	–
	<u>333,870</u>	<u>236,043</u>	<u>395,123</u>	<u>229,265</u>

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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## Details of restrictions

## External restrictions – included in liabilities

Nil

## External restrictions – other

Developer contributions – general	(A)	111,638	63,019	(51,308)	123,348
Specific purpose unexpended grants	(B)	551	17	(452)	117
Domestic waste management	(C)	15,603	38,816	(36,921)	17,499
Stormwater management	(C)	1,318	1,912	(2,555)	675
<b>Total external restrictions</b>		<u>129,110</u>	<u>103,763</u>	<u>(91,235)</u>	<u>141,638</u>

A Developer contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

B Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)

C Domestic Waste Management (DWM) & the Stormwater Levy are externally restricted assets and must be applied for the purposes for which they were raised.

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Affordable and diverse housing fund	–	10,358	–	10,358
City centre transformation reserve	200,400	–	(48,600)	151,800
Community facilities reserve	12,456	3,000	–	15,456
Employee leave entitlements	6,155	2,513	(2,149)	6,518
Green infrastructure	37,073	2,405	(10,685)	28,793
Green square reserve	86,325	–	–	86,325
Infrastructure contingency	4,869	–	(1,534)	3,335
Performance cash bonds and retentions	13,384	14,214	(13,218)	14,379
Public liability insurance	557	253	–	810
Renewable energy reserve	10,940	–	(195)	10,745
Workers compensation	16,632	911	–	17,543
<b>Total internal restrictions</b>	<b>388,789</b>	<b>33,652</b>	<b>(76,381)</b>	<b>346,061</b>
<b>TOTAL RESTRICTIONS</b>	<b>517,900</b>	<b>137,415</b>	<b>(167,616)</b>	<b>487,699</b>

Details of Internal Restrictions are provided at Note 1 (section 5)

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		3,389	–	4,572	–
Interest and extra charges		154	–	613	–
User charges and fees		4,678	–	4,159	–
Accrued revenues					
– Interest on investments		4,656	–	4,946	–
– Other income accruals		12,902	18,700	19,198	18,700
Net GST receivable		2,612	–	811	–
Rental debtors		6,642	–	6,023	–
Outstanding works in kind contributions		23,793	17,550	22,373	13,898
<b>Total</b>		<b>58,826</b>	<b>36,250</b>	<b>62,697</b>	<b>32,598</b>
<b>Less: provision for impairment</b>					
User charges and fees		(1,232)	–	(1,546)	–
<b>Total provision for impairment – receivables</b>		<b>(1,232)</b>	<b>–</b>	<b>(1,546)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>57,593</b>	<b>36,250</b>	<b>61,151</b>	<b>32,598</b>
<b>Externally restricted receivables</b>					
Domestic waste management		626	–	557	–
Domestic waste management - extra charges		47	–	30	–
<b>Other</b>					
– Works receivable (developer contributions)		23,793	17,550	22,373	13,898
<b>Total external restrictions</b>		<b>24,466</b>	<b>17,550</b>	<b>22,960</b>	<b>13,898</b>
Nil					
<b>Unrestricted receivables</b>		<b>33,128</b>	<b>18,700</b>	<b>38,191</b>	<b>18,700</b>
<b>TOTAL NET RECEIVABLES</b>		<b>57,593</b>	<b>36,250</b>	<b>61,151</b>	<b>32,598</b>

**Notes on Debtors above:**

- (i) Rates & 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, for example, unsecured rates for land leased from the Crown
- (iii) Interest was charged on overdue rates & charges at 8.50% (2014 9.00%).  
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 2016

## Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Inventories</b>					
<b>Inventories at cost</b>					
Stores and materials		1,009	–	696	–
<b>Total inventories at cost</b>		<b>1,009</b>	<b>–</b>	<b>696</b>	<b>–</b>
Nil					
<b><u>TOTAL INVENTORIES</u></b>		<b><u>1,009</u></b>	<b><u>–</u></b>	<b><u>696</u></b>	<b><u>–</u></b>
<b>Other assets</b>					
Prepayments		3,815	–	3,972	–
Future benefits – shared services relating to Sutherland animal shelter		14	182	14	197
<b><u>TOTAL OTHER ASSETS</u></b>		<b><u>3,829</u></b>	<b><u>182</u></b>	<b><u>3,986</u></b>	<b><u>197</u></b>
<b>Externally restricted assets</b>					
There are no restrictions applicable to the above assets.					
<b>Total externally restricted assets</b>		–	–	–	–
<b>Total internally restricted assets</b>		–	–	–	–
<b>Total unrestricted assets</b>		<b>4,838</b>	<b>182</b>	<b>4,682</b>	<b>197</b>
<b><u>TOTAL INVENTORIES AND OTHER ASSETS</u></b>		<b><u>4,838</u></b>	<b><u>182</u></b>	<b><u>4,682</u></b>	<b><u>197</u></b>

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	as at 30/6/2015				Asset movements during the reporting period							as at 30/6/2016				
	At cost	At fair value <sup>2</sup>	Accumulated depreciation	Carrying value	Additions renewals <sup>1</sup>	Additions new assets <sup>(D)</sup>	Carrying value of disposals	Depreciation expense	WIP transfers <sup>(A)</sup>	Tfrs front/(to) investment properties	Adjustment of prior period depreciation	Revaluation adjustments to equity (ARR) <sup>4</sup>	At cost	At fair value <sup>2</sup>	Accumulated depreciation	Carrying value
	Capital work in progress	181,716	—	—	181,716	180,701	—	—	—	(90,636)	(1,859)	—	—	269,921	—	—
Plant and equipment	—	74,512	39,256	35,256	11,769	—	(1,173)	(10,321)	7,430	—	—	—	—	86,423	43,461	42,962
Office equipment	—	26,145	13,087	13,058	1,896	—	—	(5,403)	—	—	—	—	—	28,041	18,490	9,551
Furniture and fittings	—	69,163	39,700	29,464	511	—	—	(4,761)	—	—	—	—	—	69,675	44,461	25,214
<b>Land:</b>																
— Operational land	—	528,036	—	528,036	—	17,946	(11,525)	—	—	—	—	—	—	534,457	—	534,457
— Community land <sup>(B)</sup>	—	3,870,104	—	3,870,104	—	592	—	—	—	—	3,693,534	—	—	7,564,231	—	7,564,231
— Land under roads (post 30/6/08) <sup>(C)</sup>	—	103,354	—	103,354	—	37,620	—	—	—	—	—	—	—	140,973	—	140,973
Other structures – trees	—	88,187	—	88,187	—	442	—	—	6	—	—	—	—	88,634	—	88,634
Other structures – poles and lights	—	8,549	59	8,491	—	706	—	(560)	577	—	—	—	—	9,832	618	9,214
Other structures – signs	—	9,543	—	9,543	—	54	—	—	23	—	—	—	—	9,620	—	9,620
<b>Infrastructure:</b>																
— Buildings – non-specialised	—	1,577,578	901,404	676,174	2,067	377	(556)	(37,425)	16,381	—	—	—	—	1,594,754	937,735	657,019
— Buildings – specialised	—	45,059	24,801	20,259	12	—	—	(931)	108	—	—	—	—	45,180	25,731	19,448
— Roads, bridges, footpaths <sup>3</sup>	—	1,735,867	865,822	870,045	1,863	9,342	—	(29,077)	51,500	—	216,962	—	—	1,798,571	677,936	1,120,635
— Stormwater drainage <sup>3</sup>	—	255,303	99,647	155,656	2,045	—	—	(2,698)	6,853	—	16,371	—	—	264,200	85,973	178,227
— Open space/recreational assets <sup>3</sup>	—	439,242	198,017	241,225	—	3,283	—	(17,551)	7,340	—	(6,352)	—	—	433,992	221,920	212,073
<b>Other assets:</b>																
— Heritage collections	—	6,618	—	6,618	—	61	—	—	—	—	185	—	—	6,864	—	6,864
— Library resources	—	9,373	6,681	2,691	1,105	—	—	(1,318)	—	—	—	—	—	10,477	8,000	2,478
— City art	—	34,361	6,307	28,054	—	—	—	(445)	417	—	—	—	—	38,563	7,461	31,102
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>181,716</b>	<b>8,880,995</b>	<b>2,194,780</b>	<b>6,687,931</b>	<b>201,968</b>	<b>70,423</b>	<b>(13,254)</b>	<b>(110,488)</b>	<b>—</b>	<b>(1,859)</b>	<b>226,982</b>	<b>3,680,922</b>	<b>269,921</b>	<b>12,724,490</b>	<b>2,071,786</b>	<b>10,922,625</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 Adjustments relating to prior period errors were made to prior year accumulated depreciation for the following asset classes (further details relating to the corrections can be found in Note 20c):

- Land Improvements
- Infrastructure – Roads, Bridges, Footpaths
- Infrastructure – Stormwater drainage

4 Further information related to asset revaluations is disclosed in note 20c

Refer next page for additional information (per (A) - (D) above)

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2016

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

The following information relates to the adjoining table of asset movements during the financial year:

- (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 (2015:\$11,808M).
- (D) Council received assets for nil consideration during 2015-16, 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 \$38.4M, as shown at note 3f. For 2015-16, the total related to dedications of land under roads.

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

\$ '000

Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Plant and equipment	–	5,687	1,801	3,886	–	5,865	3,259	2,606
Land								
– Operational land	–	6,910	–	6,910	–	6,910	–	6,910
Buildings	–	6,631	5,312	1,319	–	6,628	5,133	1,495
<b>Total DWM</b>	<b>–</b>	<b>19,228</b>	<b>7,113</b>	<b>12,115</b>	<b>–</b>	<b>19,403</b>	<b>8,392</b>	<b>11,011</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>–</b>	<b>19,228</b>	<b>7,113</b>	<b>12,115</b>	<b>–</b>	<b>19,403</b>	<b>8,392</b>	<b>11,011</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 2016

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services		23,321	–	13,520	–
Payments received In advance		8,369	–	8,126	–
Accrued expenses:					
– Interest on bonds and deposits		6	–	5	–
– Expenditure accruals		38,497	–	56,487	–
Performance cash bonds, deposits and retentions		14,379	–	13,383	–
Employee related payables		4,805	–	3,722	–
Other		510	–	396	–
<b>Total payables</b>		<b>89,886</b>	<b>–</b>	<b>95,640</b>	<b>–</b>
<b>Borrowings</b>					
Nil					
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		13,177	–	12,702	–
Sick leave		4,477	4,785	4,367	5,222
Long service leave		39,102	3,235	35,663	3,106
Gratuities		193	212	232	256
<b>Sub-total – aggregate employee benefits</b>		<b>56,949</b>	<b>8,232</b>	<b>52,964</b>	<b>8,584</b>
Self insurance – workers compensation		2,565	9,025	2,590	8,422
Public liability insurance		334	476	307	250
Public holidays		266	–	280	–
Asset remediation/restoration (future works)	26	–	4,000	–	4,000
Superannuation		–	2,958	–	1,945
Other		1,238	–	1,285	–
<b>Total provisions</b>		<b>61,353</b>	<b>24,691</b>	<b>57,426</b>	<b>23,201</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>151,239</b>	<b>24,691</b>	<b>153,066</b>	<b>23,201</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2016		2015	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Domestic waste management		2,655	–	2,834	–
<b>Liabilities relating to externally restricted assets</b>		<b>2,655</b>	<b>–</b>	<b>2,834</b>	<b>–</b>
<b>Internally restricted assets</b>					
Performance Cash Bonds, Deposits & Retentions		14,379	–	13,383	–
Public Liability Insurance		334	476	307	250
Workers Compensation		2,565	9,025	2,590	8,422
<b>Liabilities relating to internally restricted assets</b>		<b>17,277</b>	<b>9,501</b>	<b>16,280</b>	<b>8,672</b>
<b>Total liabilities relating to restricted assets</b>		<b>19,933</b>	<b>9,501</b>	<b>19,114</b>	<b>8,672</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>131,306</b>	<b>15,190</b>	<b>133,952</b>	<b>14,529</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>151,239</b>	<b>24,691</b>	<b>153,066</b>	<b>23,201</b>

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	38,839	32,784
Performance Cash Bonds, Deposits & Retentions	1,161	5,895
	<b>40,000</b>	<b>38,679</b>

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

Class of provision	2015		2016			Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	12,702	12,480	(12,005)	–	–	13,177
Sick leave	9,589	370	(1,201)	503	–	9,262
Long service leave	38,769	7,532	(4,340)	377	–	42,338
Public Holidays	280	–	(13)	–	–	266
Gratuities	488	–	(83)	–	–	405
Workers Compensation	11,012	3,952	(3,374)	–	–	11,590
Public Liability	557	253	–	–	–	810
Asset remediation	4,000	–	–	–	–	4,000
Superannuation	1,945	1,013	–	–	–	2,958
Other	1,285	79	(126)	–	–	1,238
<b>TOTAL</b>	<b>80,627</b>	<b>25,678</b>	<b>(21,142)</b>	<b>880</b>	<b>–</b>	<b>86,044</b>

- a. Employees Leave Entitlements & 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.
- b. Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.
- c. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.
- d. Other provisions represent mainly amounts accrued and payable in respect of State taxes on commercial leases on Crown lands controlled by the City.

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2016

#### 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 \$48.7M for the year to 30 June 2016 and \$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 2015.

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 2016

#### Note 10c. Defined Benefit Superannuation Disclosure

##### 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 \$3.829M.

(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 2016 is:

<i>Employer reserves only (excluding member accounts and reserves in both assets and liabilities)</i>	<i>\$M</i>	<i>Asset Coverage</i>
Assets	1,665.2	
Past Service Liabilities	1,739.3	95.7%
Vested Benefits	1,796.0	92.7%

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 \$6.912M. 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 2016

#### Note 10c. Defined Benefit Superannuation Disclosure

##### 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 4.32% based on the Council's current level of annual additional contributions of \$2.119M against total contributions of \$48.7M. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 24 February 2016, relating to the period ending 30 June 2015.

##### **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*, 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 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	45,726	53,029
<b>Balance as per the Statement of Cash Flows</b>		<b>45,726</b>	<b>53,029</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>112,072</b>	<b>210,512</b>
Depreciation and amortisation		110,488	113,198
Net losses/(gains) on disposal of assets		(3,367)	(8,281)
Non-cash capital grants and contributions		(61,751)	(139,093)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(240)	135
– Investment properties		(17,326)	(1,180)
Decrease/(increase) in receivables		(285)	40,263
Increase/(decrease) in provision for doubtful debts		(314)	398
Decrease/(increase) in inventories		(313)	676
Decrease/(increase) in other assets		172	(99)
Increase/(decrease) in payables - goods and services		9,801	(576)
Increase/(decrease) in other accrued expenses payable		(100)	576
Increase/(decrease) in other liabilities		2,436	(241)
Increase/(decrease) in employee leave entitlements		3,633	3,484
Increase/(decrease) in other provisions		1,784	(969)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>156,690</b>	<b>218,804</b>

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Non-cash investing and financing activities</b>			
Developer Contributions "in kind"		61,751	139,093
<b>Total non-cash investing and financing activities</b>		<b>61,751</b>	<b>139,093</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
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 2016, bank guarantees of \$12.489M 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 2016

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		66,129	49,909
Infrastructure - Roads, Bridges, Footways, Kerb and Gutter		36,949	22,830
Open Space		8,701	5,430
Plant & Equipment		7,640	17,235
Public Art		5,725	2,489
Stormwater Drainage		18,858	52,253
Other		11,882	5,152
<b>Total commitments</b>		<b>155,884</b>	<b>155,298</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		155,884	155,298
<b>Total payable</b>		<b>155,884</b>	<b>155,298</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		155,884	155,298
<b>Total sources of funding</b>		<b>155,884</b>	<b>155,298</b>

**(b) Finance lease commitments**

Nil



## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Operating lease commitments (non-cancellable)</b>			
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>			
Within the next year		1,130	1,215
Later than one year and not later than 5 years		3,956	4,192
Later than 5 years		27,397	29,777
<b>Total non-cancellable operating lease commitments</b>		<b>32,483</b>	<b>35,184</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 NSW TrainLink who control that asset. The commitment recognises the 44 years remaining on the lease, which is estimated at \$26.5M.

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 \$5.5M.

**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	928	862
<b>Total commitments</b>	<b>928</b>	<b>862</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	928	862
<b>Total payable</b>	<b>928</b>	<b>862</b>

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Memorandum of Understanding - Transport for NSW</b>			
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.			
<b>These expenditures are payable as follows:</b>			
Within the next year		47,100	48,600
Later than one year and not later than 5 years		104,700	151,600
Later than 5 years		–	200
<b>Total payable</b>		<b>151,800</b>	<b>200,400</b>

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Local government industry indicators</b>				
<b>1. Operating performance ratio (excluding non-recurrent capital expenditure from Operating Expenses)</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>(excl. Capital Grants &amp; Contributions) - Operating Expenses</u>	<b>12,674</b>	<b>2.39%</b>	3.44%	4.35%
Total continuing operating revenue <sup>(1)</sup> (excl. Capital Grants & Contributions)	<b>531,233</b>			
<b>1a. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>(excl. Capital Grants &amp; Contributions) - Operating Expenses</u>	<b>(35,926)</b>	<b>-6.76%</b>	-0.31%	-0.13%
Total continuing operating revenue <sup>(1)</sup> (excl. Capital Grants & Contributions)	<b>531,233</b>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>excluding all grants and contributions</u>	<b>517,965</b>	<b>78.68%</b>	70.18%	84.06%
Total continuing operating revenue <sup>(1)</sup>	<b>658,298</b>			

## Notes

- <sup>(1)</sup> Excludes fair value adjustments, reversal of revaluation decrements and net gain/(loss) on sale of assets  
Alternative ratio provided - non-recurrent Operating Expenses adjusted to reflect underlying Operating Performance

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Local government industry indicators</b>				
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<b>316,908</b>	<b>2.92x</b>	3.61x	3.54x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>108,584</b>			
<b>3a. Unrestricted Current Ratio (less External and Internal Restrictions)</b>				
Current Assets less all Internal + External Restrictions <sup>(2)</sup>	<b>120,180</b>	<b>1.32x</b>	1.57x	1.65x
Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>	<b>91,307</b>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>74,562</b>	<b>0.00x</b>	0.00x	0.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	–			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<b>3,543</b>	<b>1.16%</b>	1.68%	6.65%
Rates, annual and extra charges collectible	<b>305,728</b>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<b>288,726</b>	<b>6.90 mths</b>	10.16 mths	10.45 mths
Payments from cash flow of operating and financing activities	<b>41,826</b>			

Alternative ratio provided - non-recurrent Operating Expenses adjusted to reflect underlying Operating Performance

<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.

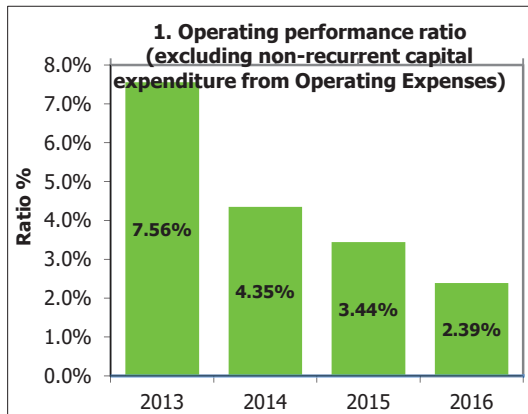
<sup>(3)</sup> Refer to Note 10(a).

<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).

City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2016

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



Benchmark: — Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

**Purpose of operating performance ratio**

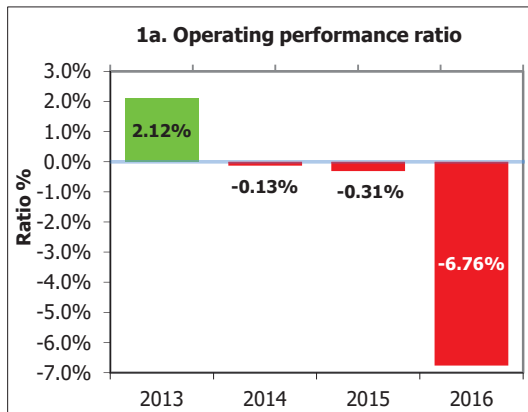
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

**Commentary on result**

**2015/16 ratio 2.39%**

Operating performance, adjusted for expenses arising from non-recurring capital related costs, was above the benchmark level of 0.00%. Adjusting for these items reflects the underlying operating performance, excluding atypical items of expenditure. Declining operating performance over time reflects continued pressure as a result of capped rates increases.

Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

**Purpose of operating performance ratio**

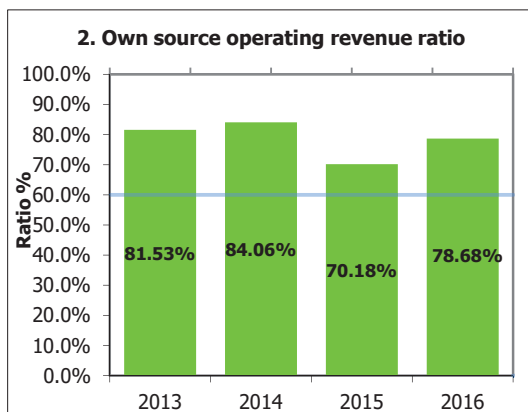
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

**Commentary on 2015/16 result**

**2015/16 ratio -6.76%**

Operating performance is negatively impacted by operating expenses related to non-recurring capital costs. The reduction in ratio performance for 2015-16 was a result of a larger contribution to Transport for NSW for the CBD to South East light rail project (refer note 4e) and is reflective of underlying operating performance (refer alternative ratio above).

Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Minimum >=60.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

**Purpose of own source operating revenue ratio**

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

**Commentary on 2015/16 result**

**2015/16 ratio 78.68%**

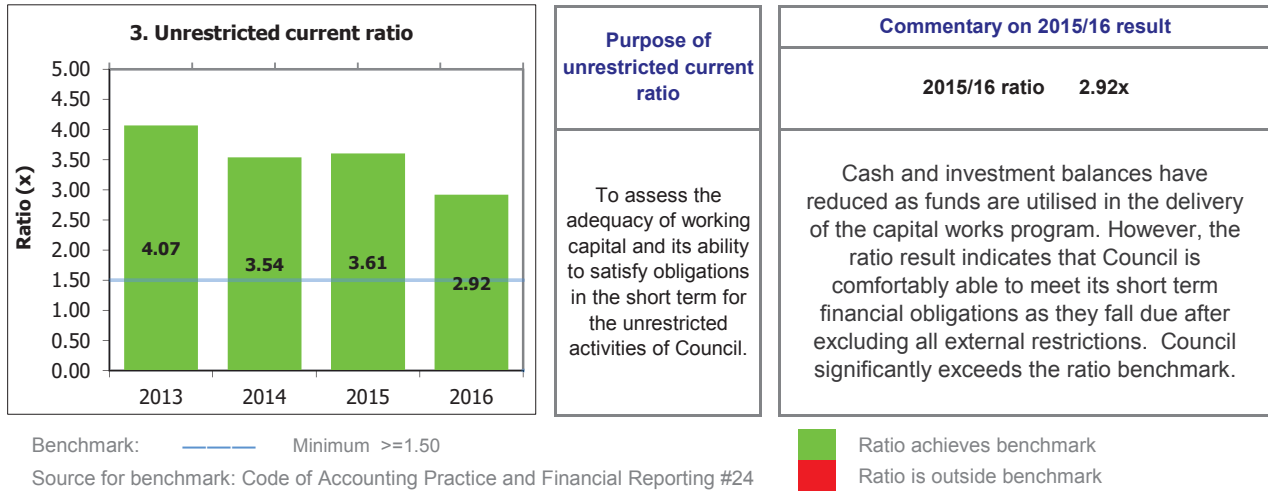
Council continues to retain a high level of own source revenue and perform well above the benchmark. The 2015/16 result improves on 2014/15 largely as a result of reduced capital income (particularly dedicated assets) for the year. Underlying operating revenues remain largely consistent with recent performance.

Ratio achieves benchmark  
Ratio is outside benchmark

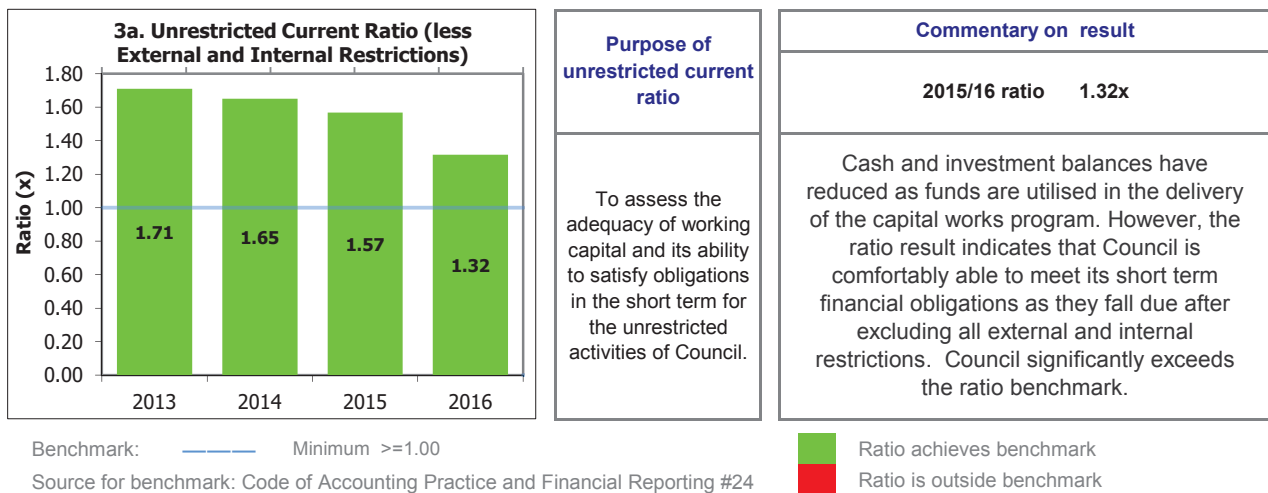
City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2016

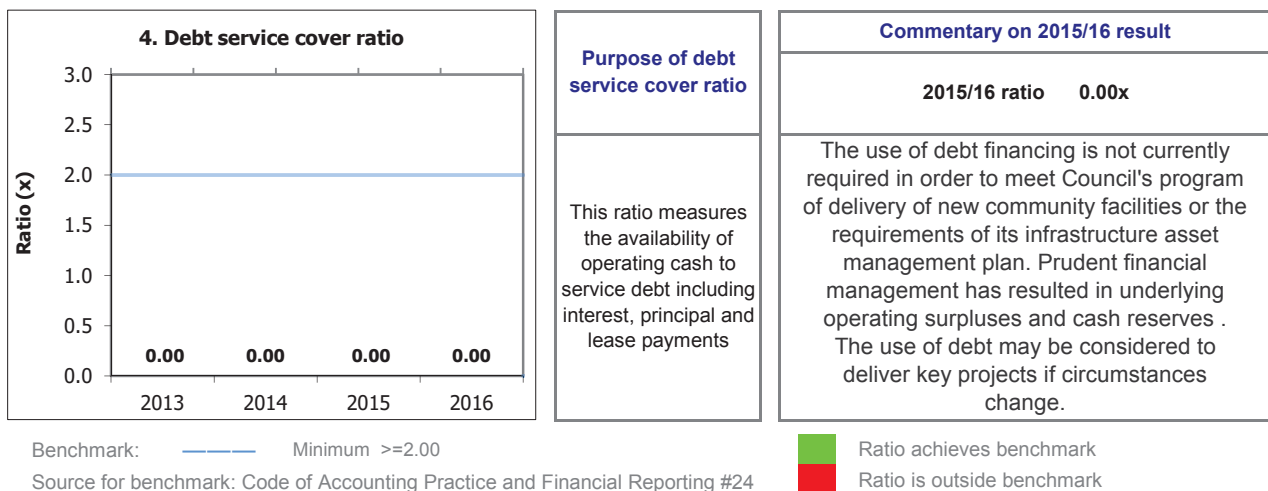
Note 13a(ii). Local government industry indicators – graphs



■ Ratio achieves benchmark  
■ Ratio is outside benchmark



■ Ratio achieves benchmark  
■ Ratio is outside benchmark

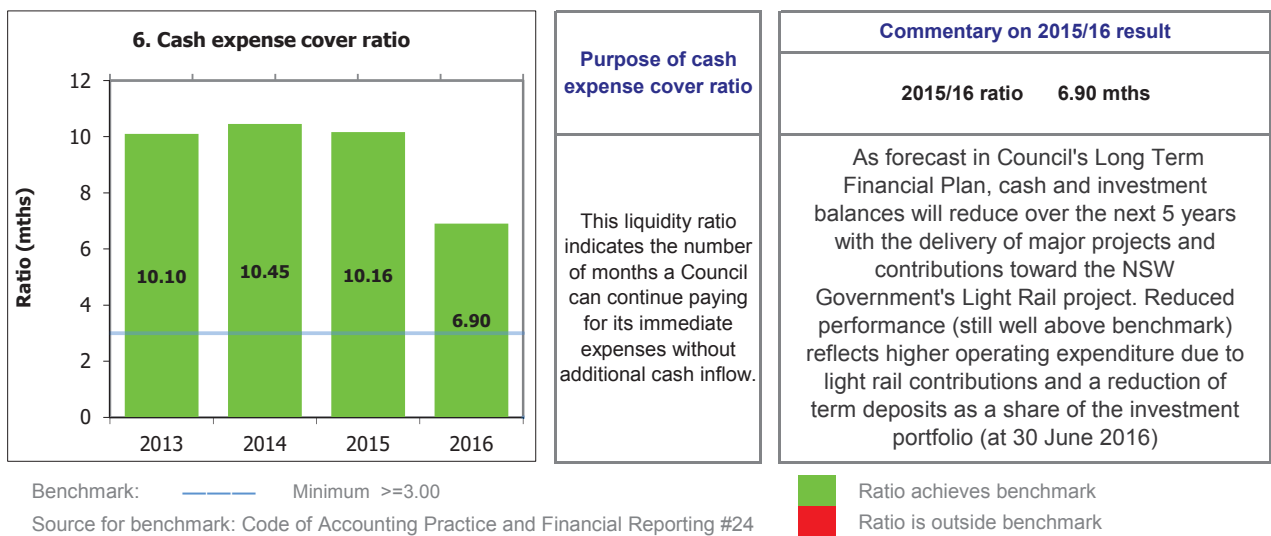
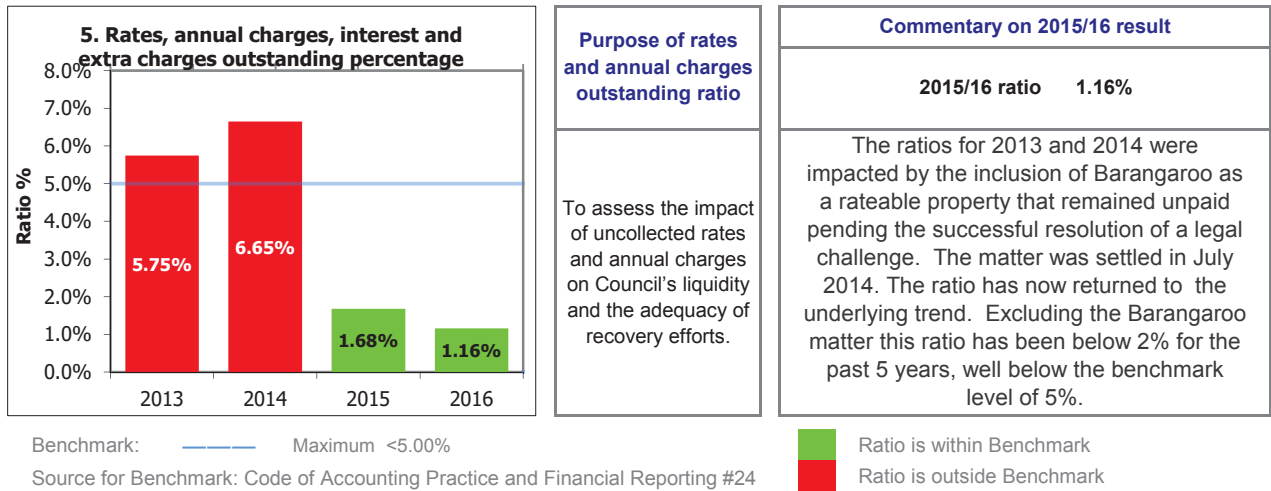


■ Ratio achieves benchmark  
■ Ratio is outside benchmark

City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2016

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



## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Investment properties at fair value</b>			
<u>Investment properties on hand</u>		<u>223,275</u>	<u>204,090</u>
<b>Reconciliation of annual movement:</b>			
Opening balance		204,090	201,430
– Capitalised expenditure – this year		1,859	1,480
– Net gain/(loss) from fair value adjustments		17,326	1,180
<b>CLOSING BALANCE – INVESTMENT PROPERTIES</b>		<b><u>223,275</u></b>	<b><u>204,090</u></b>
<b>(b) Valuation basis</b>			
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 2016 revaluations were based on independent assessments made by: AON Valuation Services (A division of AON Risk Services Australia Limited) <i>Certifying Valuer : Jeffrey Millar, AAPI</i>			
<b>(c) Contractual obligations at reporting date</b>			
Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.			
<b>(d) Leasing arrangements</b>			
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		19,631	16,593
Later than 1 year but less than 5 years		35,441	43,974
Later than 5 years		10,991	15,785
<b>Total minimum lease payments receivable</b>		<b><u>66,063</u></b>	<b><u>76,352</u></b>
<b>(e) Investment property income and expenditure – summary</b>			
Rental income from investment properties:		17,169	15,569
<u>Direct operating expenses on investment properties:</u>		<u>(3,334)</u>	<u>(2,880)</u>
<b>Net revenue contribution from investment properties</b>		<b>13,835</b>	<b>12,689</b>
plus:			
<u>Fair value movement for year</u>		<u>17,326</u>	<u>1,180</u>
<b>Total income attributable to investment properties</b>		<b><u>31,161</u></b>	<b><u>13,869</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 2016

#### 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 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 Council.

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

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity** investments – are based upon estimated future cash flows discounted by the current market 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 2016

#### 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 area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the *Local Government Act 1993* and Minister's investment order. 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, only purchasing investments with high credit ratings or capital guarantees, and by maintaining sufficient liquidity levels to ensure that investments subject to price fluctuations can be held until maturity at face value.

Council also seeks advice from independent advisers when necessary.

#### (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.

	2016		2015	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in market values	28,119	28,119	23,836	23,836
Possible impact of a 1% movement in interest rates	5,640	5,640	6,167	6,167

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

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

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

		2016	2016	2015	2015
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(i) Ageing of receivables – %</b>					
Current (not yet overdue)		0%	96%	0%	95%
Overdue		100%	4%	100%	5%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>					
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	–	91,294	–	89,512
< 1 year overdue	0 – 30 days overdue	–	169	–	133
1 – 2 years overdue	30 – 60 days overdue	3,176	27	4,406	7
2 – 5 years overdue	60 – 90 days overdue	209	–	314	–
> 5 years overdue	> 90 days overdue	158	42	466	458
		<b>3,543</b>	<b>91,532</b>	<b>5,186</b>	<b>90,109</b>
<b>(iii) Movement in provision for impairment of receivables</b>					
				2016	2015
Balance at the beginning of the year				1,546	1,147
+ new provisions recognised during the year				217	561
– amounts already provided for and written off this year				(531)	(162)
<b>Balance at the end of the year</b>				<b>1,232</b>	<b>1,546</b>

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

## 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		
<b>2016</b>									
Trade/other payables	14,385	67,133	–	–	–	–	–	81,517	81,517
<b>Total financial liabilities</b>	<b>14,385</b>	<b>67,133</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>81,517</b>	<b>81,517</b>
<b>2015</b>									
Trade/other payables	13,389	74,131	–	–	–	–	–	87,520	87,514
<b>Total financial liabilities</b>	<b>13,389</b>	<b>74,131</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>87,520</b>	<b>87,514</b>

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 2016

## Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 29 June 2015.

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 and Statement of Cash Flows – even though such variations may have been adjusted for during each quarterly budget review.

\* 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	2016 Budget	2016 Actual	2016 Variance*		
<b>REVENUES</b>					
<b>Interest and investment revenue</b>	<b>15,226</b>	<b>20,270</b>	<b>5,044</b>	33%	<b>F</b>
Cash balances, whilst declining due to increased capital expenditure, were higher than anticipated over the year 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>95,908</b>	<b>113,043</b>	<b>17,135</b>	18%	<b>F</b>
The revaluation of Council's Investment Properties at 30 June 2016 resulted in a revaluation increment of \$17.3M. Whilst this gain remains unrealised, the uplift in fair value reflects a strong market for Council's property holdings.					
<b>Capital grants and contributions</b>	<b>59,359</b>	<b>127,066</b>	<b>67,707</b>	114%	<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. In addition, over \$37M was received in the form of dedications of land under roads from developers. The major sites were Harold Park in Forest Lodge, the Green Square urban renewal area and Central Park in Chippendale.					
<b>Net gains from disposal of assets</b>	<b>–</b>	<b>3,367</b>	<b>3,367</b>	0%	<b>F</b>
The sale of a surplus community centre at Waterloo, and the compulsory acquisition of a St Peters property for WestConnex resulted in unanticipated gains on sale, relative to the carrying value of those assets.					
<b>EXPENSES</b>					
<b>Non-residential register and roll</b>	<b>2,000</b>	<b>3,218</b>	<b>(1,218)</b>	(61%)	<b>U</b>
February 2015 changes to the <i>City of Sydney Act 1988</i> Section 18D required the Council of the City of Sydney to establish a Register of non-residential roll electoral information prior to the September 2016 Local Government Elections. Budgeted and actual expenditure amounts are included within various relevant expenditure items within this financial report.					
Despite having made allowance in its budget, Council's responsibilities proved onerous and expenditure required in 2015-16 year exceeded initial estimates					
<b>BUDGET VARIATIONS RELATING TO COUNCIL'S STATEMENT OF CASH FLOWS INCLUDE:</b>					
<b>Cash flows from operating activities</b>	<b>139,184</b>	<b>156,690</b>	<b>17,506</b>	12.6%	<b>F</b>
The variation is largely a result of higher Interest and Investment Income (approximately \$5M favourable) and stronger than anticipated cash receipts related to User Charges and Fees (\$15M favourable)					

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2016

## 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					
Roads	15,201	4,770	-	514	(3,996)	-	16,489	-
Traffic facilities	1,887	264	-	67	-	-	2,218	-
Open space/public domain	45,205	28,366	9,298	1,665	(27,018)	-	57,517	-
Community facilities	27,435	4,295	-	798	(10,829)	-	21,698	-
Other	2,846	286	-	99	-	-	3,231	-
<b>S94 contributions – under a plan</b>	<b>92,574</b>	<b>37,980</b>	<b>9,298</b>	<b>3,142</b>	<b>(41,842)</b>	<b>-</b>	<b>101,153</b>	<b>-</b>
S94 not under plans	1,946	-	-	64	-	-	2,010	-
S93F Planning Agreements (VPAs, FSR)	53,389	9,338	13,992	617	(24,808)	-	52,528	-
S61 contributions	-	11,961	-	-	(11,961)	-	-	-
<b>Total contributions</b>	<b>147,909</b>	<b>59,280</b>	<b>23,290</b>	<b>3,823</b>	<b>(78,611)</b>	<b>-</b>	<b>155,691</b>	<b>-</b>
<b>Cash Contribution Movement</b>	<b>111,638</b>	<b>59,195</b>	<b>-</b>	<b>3,823</b>	<b>(51,308)</b>	<b>-</b>	<b>123,349</b>	<b>-</b>
Section 94 (all plans)	94,163	38,030	-	3,206	(32,544)	-	102,856	-
S93F Planning Agreements (VPAs, FSR)	17,475	9,204	-	617	(6,803)	-	20,493	-
S61 Contributions	-	11,961	-	-	(11,961)	-	-	-
<b>Contributions Receivable Movement</b>	<b>36,271</b>	<b>84</b>	<b>23,290</b>	<b>-</b>	<b>(27,303)</b>	<b>-</b>	<b>32,343</b>	<b>-</b>
Section 94 (all plans)	357	(50)	9,298	-	(9,298)	-	307	-
S93F Planning Agreements (VPAs, FSR)	35,914	134	13,992	-	(18,005)	-	32,035	-
<b>Total Contributions</b>	<b>147,909</b>	<b>59,280</b>	<b>23,290</b>	<b>3,823</b>	<b>(78,611)</b>	<b>-</b>	<b>155,691</b>	<b>-</b>

Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

CONTRIBUTION PLAN - CITY OF SYDNEY (2006)

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					
Roads	15,201	4,770	-	514	(3,996)	-	16,489	-
Traffic facilities	1,867	264	-	66	-	-	2,197	-
Open space/public domain	45,205	28,366	9,298	1,665	(27,018)	-	57,517	-
Community facilities	27,435	4,295	-	798	(10,829)	-	21,698	-
Other	2,775	286	-	96	-	-	3,157	-
<b>Total</b>	<b>92,483</b>	<b>37,980</b>	<b>9,298</b>	<b>3,139</b>	<b>(41,842)</b>	<b>-</b>	<b>101,058</b>	<b>-</b>

CONTRIBUTION PLAN - WALSH BAY

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					
Traffic facilities	20	-	-	1	-	-	21	-
Other	71	-	-	2	-	-	73	-
<b>Total</b>	<b>92</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>95</b>	<b>-</b>

**S94 CONTRIBUTIONS – NOT UNDER A PLAN**

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					
Roads	80	-	-	3	-	-	82	-
Parking	790	-	-	26	-	-	816	-
Other	1,077	-	-	36	-	-	1,112	-
<b>Total</b>	<b>1,946</b>	<b>-</b>	<b>-</b>	<b>64</b>	<b>-</b>	<b>-</b>	<b>2,010</b>	<b>-</b>

City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS**

Ultimo Pymont (1994) Plan - contribution receipts forwarded to Sydney Harbour Foreshore Authority per note below

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Contributions forwarded during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	-	-	-	-	-	-	-	-
Open space	-	97	-	-	(42)	-	55	-
<b>Total</b>	<b>-</b>	<b>97</b>	<b>-</b>	<b>-</b>	<b>(42)</b>	<b>-</b>	<b>55</b>	<b>-</b>

The Ultimo-Pymont Section 94 Contributions Plan 1994 ("the Plan") represents a schedule of public facilities which are required as a consequence of anticipated infrastructure demands generated by new residential, employment and hospitality development to be undertaken in the Ultimo- Pymont area. The significant costs of the provision of these public facilities were to be in part met and/or recouped from new development in the Ultimo- Pymont area. The "cost" of works detailed within the Plan is, in fact, representative of the extent to which contributions may be used to fund the works. The value of works completed and land dedicated may in turn exceed the value nominated within the Plan. However, they may only be funded by developer contributions to the extent of that nominated value.

In accordance with the Ultimo Pymont Public Amenities and Services Agreement ("the Agreement) signed on 23rd December 1994 by Sydney City Council (now known as the City of Sydney) and City West Development Corporation (since conglomerated into the Sydney Harbour Foreshore Authority), it was agreed that the Sydney Harbour Foreshore Authority (SHFA) take responsibility for the delivery of \$120M of the \$143M of works identified under the Ultimo-Pymont Section 94 Contributions Plan 1994.

In providing the works identified within the Plan, the majority of projects were completed - and assets delivered - in the early years of the Plan's existence. To date, based on a combination of City of Sydney data and information provided by SHFA, approximately \$132M of land and works recoverable under the Plan has been delivered (based on the values assigned to identified land and works under the Plan). The cost of these works remain under recoupment in terms of contributions received.

The anticipated funding for the works was to come from grants received under the Building Better Cities program (approximately \$26.5M), with the balance as Section 94 contributions levied on developments. The Agreement requires that contributions levied and received by the City of Sydney are to be forwarded to SHFA. Based on information from SHFA last updated as at 31 December 2007, approximately \$55M in Section 94 cash contributions have been collected to date. Additionally approximately \$16M of the \$132M identified works have been delivered as land dedications and works in kind contributions. In regards to the information detailed in the above table, the "Held as Restricted Asset" represents contributions received by Council not yet forwarded at SHFA at 30 June 2016. This total in no way represents an obligation on the part of the City of Sydney to deliver works utilising those contributions. As detailed above, the Plan continued to operate on a recoupment basis to 30 June 2016, with the overall attributed value of works delivered still exceeding the value of funding received to date.

With the commencement of the City of Sydney Development Contributions Plan (2015) coming into effect from 1 July 2016, the geographic area previously covered by the Ultimo-Pymont Plan 1994 will be incorporated into the new plan. Council continues to work with both SHFA and the NSW Department of Planning and Environment, to conclude the Agreement and allow future s94 contributions in the Ultimo-Pymont area to be utilised in the delivery of new/upgraded infrastructure and facilities in the area, in accordance with the new Plan.



## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

##### 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 is not quantifiable.

##### 2. Potential claims

- (i) Council is currently investigating potential rectification requirements at one of its facilities. The potential cost of any rectification works has not yet been assessed. 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) Council entered a contract for the design and construction of facilities at multiple sites within the LGA. The contractor responsible for the works has been unable to secure development application approval at one site, and both parties have entered an agreement to remove this site from the contract scope. Associated liability for Council is yet to be finalised.
- (iii) Council has issued a "Notice of Dispute" in respect of two construction contracts (incorporating liquidated damages, negative variations and overpayment). These matters are subject to ongoing assessment by Council's legal unit.

##### 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 2016, bank guarantees of \$12.489M 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 2016

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

\$ '000

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

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

Council has received an offer from the liquidators of an investment securities firm in respect of investment losses incurred on Collateralised Debt Obligations (CDOs). The settlement claim amount of \$2M, is expected to be paid by a series of liquidation dividends over 2 to 3 years, which may total approximately 40 - 60% of the claim amount.

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 2016.

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

Council has 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 2016

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

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\$ '000

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##### **9. Heritage Floor Space**

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. Potential Rates Claims**

Council is currently pursuing its position regarding the rateability of major new development sites. It is Council's belief that these sites are eligible to pay rates as a result of change in use, and once this is confirmed, Council will issue rates notices for the relevant period (commencing during 2015/16 financial year).

##### **11. Local Government Amalgamations ("Fit For The Future")**

Council's 'Fit For The Future' submission (which reflected Council's assertion that it was 'fit' to stand alone) was assessed in 2015 by the Independent Pricing and Regulatory Tribunal (IPART), on behalf of the NSW State Government. The IPART determined that the City of Sydney, in its current form, did not meet the criteria for a 'Global City', as envisaged in the original recommendations of the Independent Local Government Review Panel.

However, in considering the assessment of IPART, the NSW State Government has not mandated an amalgamation or boundary change, nor has there been any indication of plans to do so in the near future.

Council elections took place in September 2016, as scheduled.

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2016

#### 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 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		3,150,576	2,940,064
Correction of prior period errors	20 (c)	226,982	–
Net operating result for the year		112,072	210,512
Transfers between equity		19,222	–
<b>Balance at end of the reporting period</b>		<b><u>3,508,852</u></b>	<b><u>3,150,576</u></b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		3,238,971	2,121,658
– Trust Asset Revaluation Reserve		4,890,924	2,346,537
<b>Total</b>		<b><u>8,129,895</u></b>	<b><u>4,468,195</u></b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		2,121,658	2,121,658
– Revaluations for the year	9(a)	1,131,218	–
– Transfer to Trust Assets Revaluation Reserve		(13,904)	–
<b>– Balance at end of year</b>		<b><u>3,238,971</u></b>	<b><u>2,121,658</u></b>
<b>Trust Asset Revaluation Reserve</b>			
– Opening balance		2,346,537	2,346,537
– Revaluations for the year	9(a)	2,549,705	–
– Transfers to retained earnings		(19,222)	–
– Transfers from I,P,P&E Revaluation Reserve		13,904	–
<b>– Balance at end of year</b>		<b><u>4,890,924</u></b>	<b><u>2,346,537</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>8,129,895</u></b>	<b><u>4,468,195</u></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 on the replacement cost basis. 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 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
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#### (c) Correction of error/s relating to a previous reporting period

##### Correction of errors disclosed in this year's financial statements:

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

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 will not be subject to depreciation in future periods.

As a result of the above, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/15 to reflect the correct value of accumulated depreciation;

##### Condition Assessment Scale - infrastructure assets

Infrastructure - Stormwater Drainage decrease to accumulated depreciation	16,371	–
Infrastructure - Roads, Bridges, Footpaths decrease to accumulated depreciation	22,031	–
<b>Depreciation methodology - road base</b>		
Infrastructure - Roads, Bridges, Footpaths (lower base adj)	194,931	–

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

As part of OLG requirements for Council to measure all its I,PP&E at fair values, Council this year reviewed and updated the fair values held for the following asset classes:

- Land Improvements
- Community Land
- Heritage Collection
- City Art

As part of that evaluation and measurement process, the remaining useful life of each asset has been reassessed to actual.

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Correction of error/s relating to a previous reporting period (cont'd)</b>			
<b>Revaluation of Infrastructure, Property, Plant and Equipment (I,PP&amp;E) - cont'd</b>			
As part of that evaluation and measurement process, the remaining useful life of each asset has been reassessed to actual.			
This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's financial reports had previously indicated.			
Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/15 (the closing date for the comparative figures in this report).			
As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/15 to reflect the correct value of accumulated depreciation;			
<b>Land improvements (increase) to accumulated depreciation</b>		(6,352)	-
This adjustment resulted in net increase/(decrease) in Council's accumulated surplus as at 30/6/15.			
<b>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the prior period errors detailed above have been recognised retrospectively.</b>			
<b>These amounted to the following equity adjustments:</b>			
- Net adjustments to equity (relating to adjustments up to the 30/6/15 year end)		226,982	-
<b>Total prior period adjustments – prior period errors</b>		<b>226,982</b>	<b>-</b>

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

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

**(e) Changes in accounting estimates**

Council made no changes in accounting estimates during the year.

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2016

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

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**\$ '000**

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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 2016

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

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**\$ '000**

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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 2016

#### 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 2016) 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 24/10/16.

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 2016.

**(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 2016 and which are only indicative of conditions that arose after 30 June 2016.

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 2016

#### Note 24. Discontinued operations

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**\$ '000**

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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 2016

#### Note 25. Intangible assets

\$ '000	Actual 2016	Actual 2015
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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 2016

## 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 at Fig and Wattle Streets, Pyrmont.

Asset/operation	NPV of provision	
	2016	2015
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>

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

## 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:**

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>2016</b>					
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Designated at fair value on initial recognition'	30/06/16			281,188	281,188
<b>Total financial assets</b>		<b>–</b>	<b>–</b>	<b>281,188</b>	<b>281,188</b>
<b>Investment properties</b>					
Investment property portfolio	30/06/16			223,275	223,275
<b>Total investment properties</b>		<b>–</b>	<b>–</b>	<b>223,275</b>	<b>223,275</b>
<b>Infrastructure, property, plant and equipment</b>					
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			88,634	88,634
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
<b>Total infrastructure, property, plant and equipment*</b>		<b>–</b>	<b>–</b>	<b>10,652,704</b>	<b>10,652,704</b>

\*Infrastructure, Property, Plant and Equipment totals exclude Work-in-progress \$269.9M

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Designated at fair value on initial recognition'	30/06/15			238,359	238,359
<b>Total financial assets</b>		<b>–</b>	<b>–</b>	<b>238,359</b>	<b>238,359</b>
<b>Investment properties</b>					
Investment property portfolio	30/06/15			204,090	204,090
<b>Total investment properties</b>		<b>–</b>	<b>–</b>	<b>204,090</b>	<b>204,090</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/13			35,256	35,256
Office Equipment	30/06/13			13,058	13,058
Furniture & Fittings	30/06/13			29,464	29,464
Operational Land	30/06/12			528,036	528,036
Community Land	30/06/11			3,870,104	3,870,104
Land under Roads (post 30/6/08)	30/06/14			103,354	103,354
Open space/recreational assets	30/06/11			241,225	241,225
Buildings - Non Specialised	30/06/12			676,174	676,174
Buildings - Specialised	30/06/12			20,259	20,259
Other Structures - Trees	30/06/12			88,187	88,187
Other Structures - Signs	30/06/12			9,543	9,543
Other Structures - Poles and Lights	30/06/12			8,491	8,491
Roads, Bridges, Footpaths	30/06/12			870,045	870,045
Stormwater Drainage	30/06/12			155,656	155,656
Heritage Collections	30/06/11			6,618	6,618
Library Books	30/06/11			2,691	2,691
City Art	30/06/11			28,054	28,054
<b>Total infrastructure, property, plant and equipment*</b>		<b>–</b>	<b>–</b>	<b>6,686,215</b>	<b>6,686,215</b>

\*Infrastructure, Property, Plant and Equipment totals exclude Work-in-progress \$181.7M

The carrying amounts of Investments-Held to Maturity (comprising term deposits), Receivables and Payables are considered to be a reasonable approximation of fair value and have therefore been excluded from the fair value disclosures in accordance with paragraph 29 of *AASB 7 Financial Instruments: Disclosures*.

**(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies**

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

**(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values**

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs) Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs). The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are detailed on the following page.

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

##### 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.

##### Infrastructure, Property, Plant & Equipment

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

Fair value of these asset classes is estimated 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 class : Operational Land

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified property valuer. The 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. Comparisons to the subject property were made on the basis of quality, age, condition and size of improvements, location, land area and shape. Sales were analysed on a sales price per square metre of land area and adjusted accordingly to reflect any character differences between the subject and comparable sales data.

###### Asset class : Specialised Buildings

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified property valuer. The appraisal determined the value of the buildings and site improvements by establishing the estimated replacement cost with a new asset less depreciation for *physical, functional* and *economic* obsolescence. The three forms of obsolescence are described as follows:

- *Physical obsolescence* - the loss in value resulting from the consumption of the useful life or service potential of a building caused by wear and tear, deterioration, exposure to various elements, physical stresses and similar factors.
- *Functional obsolescence* - the loss in value resulting from inefficiencies in the subject building compared to a more efficient or less costly alternative. Such excess operating costs and or excess capital costs can be used to measure the extent of functional obsolescence.
- *Economic obsolescence* - the loss in value resulting from factors external to the asset itself. Such factors often relate to the economics of the industry in which the assets operate. New legislation or fears or risks of such new legislation may also contribute to economic obsolescence.



## City of Sydney

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement (continued)

##### **Asset class : Non-Specialised Buildings**

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified property valuer. The appraisal identified assets having the capability to be compared to open market conditions and adopted the *capitalised income approach* as the valuation methodology whereby a yield is applied to the property's income (actual or assumed) to assess its value. The yield applied to the potential 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.

##### **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. The appraisal adopted the *direct comparison approach* whereby evidence derived from the analysis of recent sales of or costs to commission similar assets is used to establish the value of the subject asset.

##### **Asset classes : Roads, Bridges, Footpaths, Stormwater Drainage, Landhold improvement-depreciable, Trees, Signs and Poles and Lights**

Fair value of these asset classes is determined on the depreciated replacement cost approach based on replacement costs determined under current third party asset replacement contracts. 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 : Community Land and Land Under Roads (post 30/06/2008)**

Fair value of these asset classes is determined on the deprival cost approach representing an indicative replacement cost. Deprival costs are determined based on the latest NSW Valuer-General valuations for surrounding properties. The average square metre value of the surrounding properties is applied to the square metre area of the subject assets to determine their deprival value. 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.

#### **(4). Fair value measurements using significant unobservable inputs (Level 3)**

##### **a. Changes in Level 3 Fair Value Asset Classes during the year are disclosed in the following Notes:**

- *Investment Properties* - Refer Note 14
- All other asset classes shown under *Infrastructure, Property, Plant and Equipment* - Refer Note 9(a)

##### **b. Information relating to the transfers into and out of the Level 3 Fair Valuation hierarchy:**

No transfers were made in or out of the Level 3 Fair Valuation hierarchy during the year.

#### **(5). Highest and best use**

The following non financial assets of Council are being utilised for purposes that do 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.



## **The City of Sydney Council**

### **Independent auditor's report to the Council – s417(2) Report on the general purpose financial statements**

#### **Report on the financial statements**

We have audited the accompanying financial statements of The City of Sydney Council (the Council), which comprise the Statement of Financial Position as at 30 June 2016 and the Income Statement, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

#### *Councillors' responsibility for the financial statements*

The Councillors of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Councillors, as well as evaluating the overall presentation of the financial statements.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial statements.

Our audit responsibility does not extend to the Original Budget Figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in notes 2(a) and 16 to the financial statements, nor the attached Special Schedules, and accordingly, we express no opinion on them.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Auditor's opinion:*

In our opinion:

- (a) 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); and
- (b) the financial statements:
  - (i) have been presented, in all material respects, in accordance with the requirements of this Division
  - (ii) are consistent with the Council's accounting records
  - (iii) present fairly, in all material respects, the Council's financial position as at 30 June 2016 and its Financial Performance and its Cash Flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

  
PricewaterhouseCoopers

  
Marc Upcroft  
Partner

Sydney  
28 October 2016



## City of Sydney

### Special Purpose Financial Statements

for the year ended 30 June 2016

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<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Other Business Activities	3
Statement of Financial Position – Other Business Activities	4
<b>3. Notes to the Special Purpose Financial Statements</b>	5
<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 2016

### 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 24 October 2016.**




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Clover Moore  
Lord Mayor



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Kerryn Phelps  
Deputy Lord Mayor



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Monica Barone  
Chief Executive Officer



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Bill Carter  
Chief Financial Officer

## City of Sydney

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

\$ '000	Parking Stations	
	Category 1	
	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	–	–
User charges	9,695	9,663
Fees	–	–
Interest	–	–
Grants and contributions provided for non-capital purposes	–	–
Profit from the sale of assets	–	–
Other income	–	–
<b>Total income from continuing operations</b>	<b>9,695</b>	<b>9,663</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	159	156
Borrowing costs	–	–
Materials and contracts	1,588	1,505
Depreciation and impairment	1,542	1,451
Loss on sale of assets	–	–
Calculated taxation equivalents	82	72
Debt guarantee fee (if applicable)	–	–
Other expenses	1,620	1,511
<b>Total expenses from continuing operations</b>	<b>4,990</b>	<b>4,694</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>4,704</b>	<b>4,969</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>4,704</b>	<b>4,969</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>4,704</b>	<b>4,969</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,411)	(1,491)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,293</b>	<b>3,478</b>
Plus opening retained profits	71,291	66,250
Plus/less: prior period adjustments		–
Plus/less: other adjustments (details here...)		–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	82	72
– Debt guarantee fees	–	–
– Corporate taxation equivalent	1,411	1,491
<b>Add:</b>		
– Subsidy paid/contribution to operations		–
<b>Less:</b>		
– TER dividend paid		–
– Dividend paid		–
<b>Closing retained profits</b>	<b>76,077</b>	<b>71,291</b>
<b>Return on capital %</b>	<b>11.5%</b>	<b>12.0%</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 2016

\$ '000	Parking Stations	
	Category 1	
	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	73	189
<b>Total Current Assets</b>	<b>73</b>	<b>189</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	40,848	41,425
Inter-Entity Debtor	59,607	54,126
<b>Total non-current assets</b>	<b>100,455</b>	<b>95,551</b>
<b>TOTAL ASSETS</b>	<b>100,528</b>	<b>95,740</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	725	727
Provisions	54	50
<b>Total current liabilities</b>	<b>779</b>	<b>777</b>
<b>Non-current liabilities</b>		
Provisions	20	20
<b>Total non-current liabilities</b>	<b>20</b>	<b>20</b>
<b>TOTAL LIABILITIES</b>	<b>799</b>	<b>797</b>
<b>NET ASSETS</b>	<b>99,729</b>	<b>94,943</b>
<b>EQUITY</b>		
Retained earnings	76,077	71,291
Revaluation reserves	23,652	23,652
Council equity interest	<b>99,729</b>	<b>94,943</b>
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>99,729</b>	<b>94,943</b>



# CITY OF SYDNEY

## NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS for the year ended 30 June 2016

### 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 has declared in its 2015-16 Operational Plan that the following are to be considered as business activities:

#### Category 1

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 \$482,000 + 1.6% on \$432,000 to \$2,947,000 + 2% on taxable values above \$2,947,000
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 2016

**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 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**



## **The City of Sydney Council**

### **Independent auditor's report Report on the special purpose financial statements**

#### **Report on the financial statements**

We have audited the accompanying financial statements, being the special purpose financial statements, of The City of Sydney Council (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2016, the Income Statements by Business Activity for the year then ended, notes to the financial statements for the Business Activities identified by Council and the Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting for the year ended 30 June 2016.

#### *Councillors' responsibility for the financial report*

The Councillors of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in note 1 to the financial statements which form part of the financial statements, are appropriate to meet the requirements of the Local Government Code of Accounting Practice and Financial Reporting. The Councillors responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to error or fraud.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Councillors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.



*Auditor's opinion:*

In our opinion, the financial statements presents fairly, in all material respects, the financial position by Business Activity of The City of Sydney Council as of 30 June 2016 and its financial performance by Business Activity for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial statements, and the Local Government Code of Accounting Practice and Financial Reporting.

*Basis of Accounting and Restriction on Distribution and Use*

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Council.

  
PricewaterhouseCoopers

  
Marc Upercroft  
Partner

Sydney  
28 October 2016



# City of Sydney

## Special Schedules

for the year ended 30 June 2016

### Contents

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

<b>Special Schedule 1</b>	Net Cost of Services	2
<b>Special Schedule 7</b>	Report on Infrastructure Assets	4
<b>Special Schedule 8</b>	Permissible Income Calculation	9

<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 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>9,315</b>	–	–	<b>(9,315)</b>
<b>Administration</b>	<b>157,771</b>	<b>11,393</b>	<b>720</b>	<b>(145,658)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	3,822	–	–	<b>(3,822)</b>
Beach control	–	–	–	–
Enforcement of local government regulations	21,920	31,252	–	<b>9,332</b>
Animal control	–	–	–	–
Other	6,489	–	–	<b>(6,489)</b>
<b>Total public order and safety</b>	<b>32,232</b>	<b>31,252</b>	–	<b>(980)</b>
<b>Health</b>	<b>15,446</b>	<b>8,585</b>	–	<b>(6,861)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	5,323	645	1,842	<b>(2,836)</b>
Solid waste management	36,016	39,826	–	<b>3,810</b>
Street cleaning	22,123	153	–	<b>(21,970)</b>
Drainage	3,790	1,875	–	<b>(1,915)</b>
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>67,252</b>	<b>42,499</b>	<b>1,842</b>	<b>(22,910)</b>
<b>Community services and education</b>				
Administration and education	3,437	43	–	<b>(3,393)</b>
Social protection (welfare)	3,325	41	–	<b>(3,284)</b>
Aged persons and disabled	3,072	1,385	–	<b>(1,687)</b>
Children's services	7,600	3,741	–	<b>(3,859)</b>
<b>Total community services and education</b>	<b>17,433</b>	<b>5,209</b>	–	<b>(12,223)</b>
<b>Housing and community amenities</b>				
Public cemeteries	–	–	–	–
Public conveniences	135	–	–	<b>(135)</b>
Street lighting	11,192	6,841	–	<b>(4,351)</b>
Town planning	25,138	7,048	122,721	<b>104,631</b>
Other community amenities	1,664	–	–	<b>(1,664)</b>
<b>Total housing and community amenities</b>	<b>38,129</b>	<b>13,889</b>	<b>122,721</b>	<b>98,481</b>
<b>Water supplies</b>	–	–	–	–
<b>Sewerage services</b>	–	–	–	–

## City of Sydney

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2016

\$'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	10,101	672	–	(9,429)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	13,762	1,044	–	(12,718)
Performing arts venues	1,050	263	–	(787)
Other performing arts	–	–	–	–
Other cultural services	37,301	434	–	(36,867)
Sporting grounds and venues	573	–	–	(573)
Swimming pools	6,670	2,144	–	(4,525)
Parks and gardens (lakes)	43,633	87	–	(43,546)
Other sport and recreation	3,047	1,304	–	(1,743)
<b>Total recreation and culture</b>	<b>116,138</b>	<b>5,949</b>	<b>–</b>	<b>(110,189)</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	34,057	8,287	1,615	(24,155)
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	13,115	47,260	–	34,145
Footpaths	14,404	–	–	(14,404)
Aerodromes	–	–	–	–
Other transport and communication	8,801	7,992	193	(616)
<b>Total transport and communication</b>	<b>70,376</b>	<b>63,539</b>	<b>1,808</b>	<b>(5,030)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	43,067	88,684	–	45,617
<b>Total economic affairs</b>	<b>43,067</b>	<b>88,684</b>	<b>–</b>	<b>45,617</b>
<b>Totals – functions</b>	<b>567,159</b>	<b>270,999</b>	<b>127,091</b>	<b>(169,069)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>281,141</b>		<b>281,141</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>567,159</b>	<b>552,140</b>	<b>127,091</b>	<b>112,072</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 2016  
as at 30 June 2016

\$'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>	2015/16 Required maintenance <sup>c</sup>	2015/16 Actual maintenance <sup>c</sup>	Carrying value <sup>d</sup>	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5 <sup>e</sup>
<b>Buildings</b>	Buildings – non-specialised	27,487	43,562	25,110	24,041	880,294	2,025,146	1.4%	59.8%	34.6%	3.4%	0.7%
	Buildings – specialised	13,486	5,284	1,779	1,695	19,448	47,046	10.4%	28.2%	22.4%	4.2%	34.7%
	<b>Sub-total</b>	<b>40,973</b>	<b>48,847</b>	<b>26,889</b>	<b>25,735</b>	<b>899,743</b>	<b>2,072,192</b>	<b>1.6%</b>	<b>59.1%</b>	<b>34.3%</b>	<b>3.4%</b>	<b>1.5%</b>
<b>Infrastructure</b>	Sealed roads - Surface	1,672	692	3,476	3,604	99,923	173,829	24.3%	63.5%	11.3%	0.2%	0.8%
	Sealed roads - Structure	1,599	100	638	155	679,700	759,602	19.0%	76.6%	4.4%	0.0%	0.0%
	Bridges	3,811	3,811	59	126	24,041	68,459	0.0%	18.3%	74.6%	7.1%	0.0%
	Footpaths	12,736	12,736	2,914	4,209	173,442	404,652	4.5%	34.6%	51.5%	8.5%	0.9%
	Kerb and Gutter	1,670	522	661	1,097	83,119	268,864	0.7%	16.8%	82.1%	0.0%	0.4%
	Other <sup>f</sup>	1,722	1,722	2,241	2,244	60,410	123,685	0.0%	84.0%	14.6%	1.4%	0.0%
<b>Sub-total</b>	<b>23,209</b>	<b>19,582</b>	<b>9,990</b>	<b>11,434</b>	<b>1,120,635</b>	<b>1,799,091</b>	<b>11.5%</b>	<b>55.2%</b>	<b>30.6%</b>	<b>2.3%</b>	<b>0.3%</b>	
<b>Stormwater</b>	Stormwater drainage	2,844	3,000	2,688	3,893	178,227	264,200	43.3%	28.3%	19.0%	6.0%	3.4%
<b>Sub-total</b>		<b>2,844</b>	<b>3,000</b>	<b>2,688</b>	<b>3,893</b>	<b>178,227</b>	<b>264,200</b>	<b>43.3%</b>	<b>28.3%</b>	<b>19.0%</b>	<b>6.0%</b>	<b>3.4%</b>
<b>Open space</b>	Open Space	16,314	10,876	15,891	15,355	212,073	433,992	7.3%	37.6%	48.0%	7.1%	0.0%
	<b>Sub-total</b>	<b>16,314</b>	<b>10,876</b>	<b>15,891</b>	<b>15,355</b>	<b>212,073</b>	<b>433,992</b>	<b>7.3%</b>	<b>37.6%</b>	<b>48.0%</b>	<b>7.1%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>83,340</b>	<b>82,305</b>	<b>55,458</b>	<b>56,417</b>	<b>2,410,678</b>	<b>4,569,476</b>	<b>8.5%</b>	<b>53.8%</b>	<b>33.3%</b>	<b>3.5%</b>	<b>1.0%</b>

City of Sydney

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016  
as at 30 June 2016

**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 'or better. These cost (and asset condition) assessments remain highly subjective, as in previous years
- b** Estimated Cost to Bring To Satisfactory Standard, reflects the estimated cost to restore all Council their identified 'target condition' or higher.
- c** Minimum service levels (i.e. target conditions) are detailed in Council's Asset Management Strategy  
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 costs 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** The large proportion of Specialised Buildings at condition '5' is as a result of the former Brick Kilns at Sydney Park St Peters, currently in poor condition. The gross replacement cost of the kilns is estimated at \$16.3M, which skews this result
- f** Other' infrastructure includes lighting, street furniture and street fixtures (e.g. traffic islands)

**Infrastructure asset condition assessment 'key'**

<b>1</b>	<b>Excellent</b>	No work required (normal maintenance)
<b>2</b>	<b>Good</b>	Only minor maintenance work required
<b>3</b>	<b>Average</b>	Maintenance work required
<b>4</b>	<b>Poor</b>	Renewal required
<b>5</b>	<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 2016

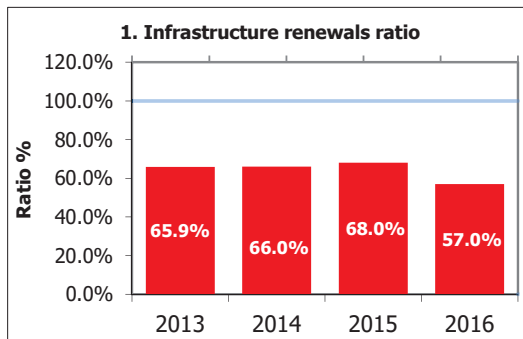
\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	49,991	57.01%	68.03%	66.03%
Depreciation, amortisation and impairment	87,681			
<b>1a. Infrastructure renewals ratio (alternate)</b>				
Asset renewals <sup>(1)</sup>	49,991	87.13%	107.90%	98.91%
Required Aset Renewal (per adopted Asset Management Strategy)	57,373			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	83,340	3.46%	2.83%	3.41%
Carrying value of infrastructure assets	2,410,678			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	56,417	1.02	1.04	0.95
Required asset maintenance	55,458			
<b>4. Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to an agreed service level set by Council	82,305	1.80%	0.00%	0.00%
Gross replacement cost	4,569,476			
<b>5. Capital expenditure ratio</b>				
Annual capital expenditure	259,137	2.35	1.69	1.28
Annual depreciation	110,488			

## 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 2016



Benchmark: Minimum >=100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

**Purpose of asset renewals ratio**

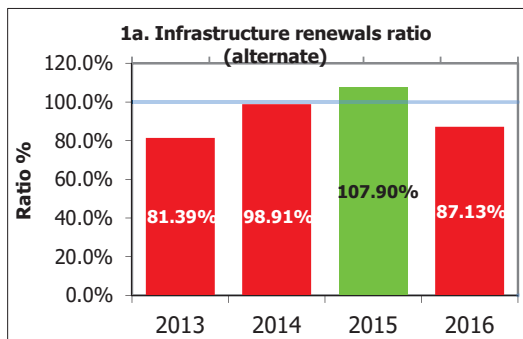
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

**Commentary on 2015/16 result**

**2015/16 Ratio 57.01%**

Council's diminished level of expenditure on asset renewals is reflective of a temporary scaling down of ongoing capital programs to enable the completion of major urban renewal projects in the Green Square and CBD Precincts. Completion of these projects will enable return to long-term average targets in asset renewal expenditure.

Ratio is within Benchmark  
 Ratio is outside Benchmark



Benchmark: Minimum >=100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

**Purpose of infrastructure backlog ratio**

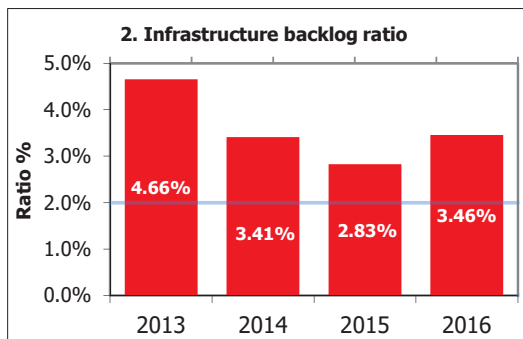
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

**Commentary on result**

**2015/16 Ratio 87.13%**

Required renewal is determined based on assessed remaining service capacity of building and infrastructure assets, with regard given to minimum acceptable condition in determining the required renewal intervention rather than straight line accounting depreciation. On this more realistic basis, Council performs well, noting the effect of major project delivery in Green Square and CBD in the medium-term.

Ratio is within Benchmark  
 Ratio is outside Benchmark



Benchmark: Maximum <2.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

**Purpose of infrastructure backlog ratio**

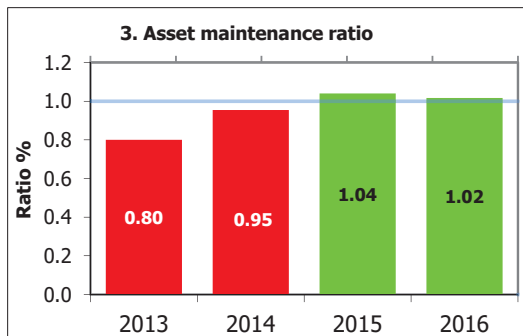
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

**Commentary on 2015/16 result**

**2015/16 Ratio 3.46%**

For 2015/16 the Office of Local Government mandated an approach to calculating 'Cost to Bring to Satisfactory Standard' that was inconsistent with the methodology used by Council in prior years. Council had previously utilised an asset specific 'target condition' rather than an assumed target of condition '2' (which could result in over servicing assets). Restating prior year results is not practical.

Ratio is within Benchmark  
 Ratio is outside Benchmark



Benchmark: Minimum >1.00  
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

**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 2015/16 result**

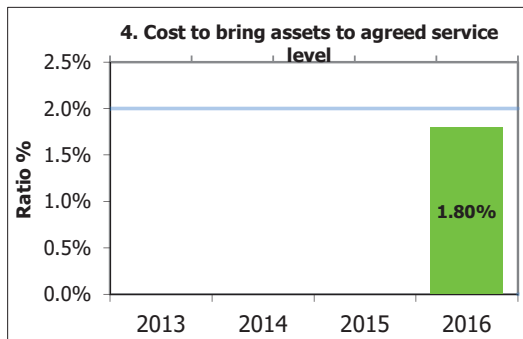
**2015/16 Ratio 1.02 x**

This ratio is within an acceptable margin of the 100% benchmark - this year slightly exceeding it. A ratio significantly in excess of 100% would represent overservicing of assets. Variations can occur when expected "required" maintenance works benefit from improved contract rates, and/or efficient delivery. Maintenance timing/cycles also from time to time, as asset condition assessments are undertaken

Ratio is within Benchmark  
 Ratio is outside Benchmark

City of Sydney

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016



Benchmark: Maximum <0.02  
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

**Purpose of agreed service level ratio**

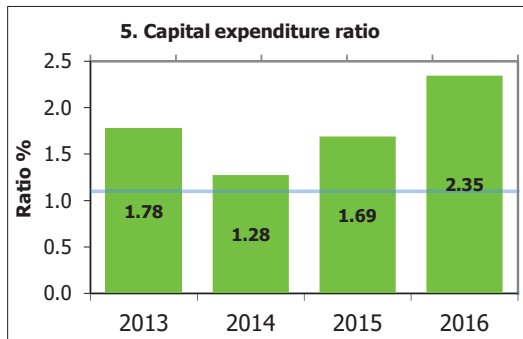
This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

**Commentary on 2015/16 result**

**2015/16 Ratio 1.80%**

Council meets the benchmark for this newly introduced ratio - comparative information is not available, but will become available 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

Ratio is within Benchmark  
 Ratio is outside Benchmark



Benchmark: Minimum >1.10  
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

**Purpose of capital expenditure ratio**

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

**Commentary on 2015/16 result**

**2015/16 Ratio 2.35 x**

This ratio reflects an expansion of the City's asset base, with construction works and asset acquisitions exceeding the annual depreciation expense. Capital works programs are also subject to fluctuations over the short and medium term - the City's capital program is intended to reflect the future needs and priorities of the LGA, not specifically with reference to the "backwards looking" annual depreciation

Ratio is within Benchmark  
 Ratio is outside Benchmark

## City of Sydney

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	257,770	263,835.00
Plus or minus adjustments <sup>(2)</sup>	b	411	3,157
<b>Notional general income</b>	c = (a + b)	<b>258,181</b>	<b>266,992</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	6,196	4,806
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>264,377</b>	<b>271,798</b>
Plus (or minus) last year's carry forward total	l	(1)	12
Less valuation objections claimed in the previous year	m	(529)	–
<b>Sub-total</b>	n = (l + m)	<b>(530)</b>	<b>12</b>
<b>Total permissible income</b>	o = k + n	<b>263,847</b>	<b>271,810</b>
Less notional general income yield	p	263,835	271,779
<b>Catch-up or (excess) result</b>	q = o – p	<b>12</b>	<b>32</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>12</b>	<b>32</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 <sup>(5)</sup> 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.



## **The City of Sydney Council**

### **Independent auditor's report Report on the Special Schedule No. 8**

#### **Report on the Special Schedule No. 8**

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

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

The Councillors of the Council are responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

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***PricewaterhouseCoopers, ABN 52 780 433 757***

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***Audit Opinion***

In our opinion, Special Schedule No. 8 of the The City of Sydney Council for the year ending 30 June 2017 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

***Restriction on distribution***

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of the total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the Council and the Office of Local Government.

  
PricewaterhouseCoopers

  
Marc Upcroft  
Partner

Sydney  
28 October 2016