

RELEVANT INFORMATION FOR COUNCIL

FILE: S115002.02 **DATE:** 20 October 2016
TO: Lord Mayor and Councillors
FROM: Bill Carter, Chief Financial Officer
THROUGH: Monica Barone, Chief Executive Officer
SUBJECT: Information Relevant To Item 6.5 - Presentation of the 2015/16 Financial Statements to Council - At Council - 24 October 2016

That the Lord Mayor and Councillors note the information contained in this memo.

Purpose

To provide additional information relating to items shown within the City's Annual Financial Statements for 2015/16 financial year, as requested by Councillors during the Corporate, Finance, Properties and Tenders Committee meeting on 10 October 2016.

Item 1 – Investment Properties which have been revalued.

Response

Valuations were undertaken by AON Risk Solutions (Valuation Services). Each year “desktop update” valuations are undertaken and used to revalue the City's investment properties portfolio, as required by the Local Government Code of Accounting Practice and Financial Reporting, while at least once every five years a more thorough review of the valuations (including physical site visits) is undertaken. This more detailed analysis resulted in a larger revaluation adjustment than has been the case in recent years.

The schedule below details the results of the revaluation, by individual property.

Investment Properties (classified and valued in accordance with accounting standard AASB140):

	Previous Book Value	Revaluation 30 June 2016	Movement
343 George St Sydney	82,678,747	86,000,000	3,321,253
46-52 Mountain St Ultimo	42,177,712	42,600,000	422,288
2-8 Kelly St Ultimo (IGS site)	27,000,000	29,000,000	2,000,000
82-106 Oxford St Darlinghurst	18,001,055	23,000,000	4,998,945
1 Elizabeth Bay Rd Kings Cross	7,750,000	8,600,000	850,000
4 Huntley St Alexandria	6,850,000	7,350,000	500,000
137-155 Palmer St Darlinghurst	4,759,078	6,500,000	1,740,922
4 Doody St Alexandria	5,200,000	5,375,000	175,000
218-222 King St Newtown	4,050,000	5,000,000	950,000
5-17 Norman St Darlinghurst	3,638,752	4,500,000	861,248

	Previous Book Value	Revaluation 30 June 2016	Movement
73-75 William St Darlinghurst	2,014,290	3,100,000	1,085,710
106-112 Erskineville St Erskineville	1,174,649	1,150,000	(24,649)
7 & 8/12 Springfield Ave Potts Point	654,790	1,100,000	445,210
Total	205,949,073	223,275,000	17,325,927

Item 2 – Attachment A, Note 4(e) Other Expenses:

- Advertising - what portion of advertising was for the non-residential roll.
- Research and Development – a breakdown of the \$476,000; research undertaken.

Response

Advertising: The reported expenditure for advertising in the 2015/16 financial year totalled \$3.72M, or an increase of \$0.57M on the previous year (2015: \$3.15M). As advised during the Committee meeting, almost the entirety of this increased cost (being \$0.56M or 15.0%) related to the introduction of the City's non-residential roll.

Research and Development: The vast majority of the \$476K expense in the 2015/16 financial year, being \$386K or 81%, related to eight specific business units. Further information on the most significant sums is provided in the table below:

Business Unit	2015/16	Comments/details
History & Curatorial	124,995	Biographies (research and writing, <i>Great Strike</i> exhibition (with Carriageworks), Walking Tours update
Research, Strategy and Corporate Planning	86,273	Live Music Action Plan; World Cities Cultural Forum membership
Corporate Partnerships	46,718	Market research of banner effectiveness in the City; Commercial valuation of our digital platforms
Sustainability Programs	34,082	City Switch Program research; Office market research from Property Council
Marketing	31,603	Creative concept testing for "Whats On"; Events market research for Christmas
Council Elections (Non-Residential Roll)	21,550	Research and focus group testing to assist in production of Non Residential Roll related communication materials
Events General	20,762	Events market research for Art & About and Chinese New Year
New Year's Eve	20,432	Event market research for NYE
Total of units above	386,415	

Bill Carter - Chief Financial Officer

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approved

P. M. Barone

Monica Barone, Chief Executive Officer