

21 October 2019

At 2.00 pm

Volume 2 - Item 3

## Corporate, Finance, Properties and Tenders Committee

**Agenda**

- 1. Disclosures of Interest**
- 2. Investments Held as at 31 August 2019**
- 3. Presentation of the 2018/19 Financial Statements and Audit Reports to Council**
- 4. Review of the Investment Policy and Strategy for the Management of Councils Surplus Funds**
- 5. Audit Risk and Compliance Committee Annual Report to Council 2018/19**
- 6. Lease Approval - Campbell's Stores, Service Tunnel, Hickson Road, The Rocks**
- 7. Tender - Reject and Negotiate - Work Based Child Care - Chippendale**
- 8. Tender - Supply, Imaging and Delivery of Lenovo ThinkPad Carbon XI Laptops and Accessories**
- 9. Exemption from Tender - IT Maintenance and Support Contracts**
- 10. Exemption from Tender - Management of Gunyama Park Aquatic and Recreation Centre**
- 11. Exemption from Tender - Provision and Installation of GSM Wireless Enabled Dual SIM Cards to All City Lifts**
- 12. Property Matter (Confidential)**

**Economic Development and Business Sub-Committee**

- 13. Grants and Sponsorship - Round Two 2019/20 - Economic Grants**

# Guidelines for Speakers at Council Committees



As part of our democratic process, the City invites members of the community to speak directly to Councillors during Committee meetings about items on the agenda.

To enable the Committee to hear a wide range of views and concerns within the limited time available, we encourage people interested in speaking at Committee to:

1. Register to speak by calling Council's Secretariat on 9265 9310 before 12.00 noon on the day of the meeting.
2. Check the recommendation in the Committee report before speaking, as it may address your concerns so that you just need to indicate your support for the recommendation.
3. Note that there is a three minute time limit for each speaker (with a warning bell at two minutes) and prepare your presentation to cover your major points within that time
4. Avoid repeating what previous speakers have said and focus on issues and information that the Committee may not already know.
5. If there is a large number of people interested in the same item as you, try to nominate three representatives to speak on your behalf and to indicate how many people they are representing.
6. Before speaking, turn on the microphone by pressing the button next to it and speak clearly so that everyone in the Council Chamber can hear.
7. Be prepared to quickly return to the microphone and respond briefly to any questions from Councillors, after all speakers on an item have made their presentations.

Committee meetings can continue until very late, particularly when there is a long agenda and a large number of speakers. This impacts on speakers who have to wait until very late, as well as Council staff and Councillors who are required to remain focused and alert until very late. At the start of each Committee meeting, the Committee Chair may reorder agenda items so that those items with speakers can be dealt with first.

Committee reports are on line at [www.cityofsydney.nsw.gov.au](http://www.cityofsydney.nsw.gov.au), with printed copies available at Sydney Town Hall immediately prior to the meeting. Council staff are also available prior to the meeting to assist.

## Item 3.

### Presentation of the 2018/19 Financial Statements and Audit Reports to Council

File No: X025180

#### Summary

This report presents the City's 2018/19 Financial Statements to Council and seeks authorisation to issue the public notice of the intention to present the audited statements to the public at the Council meeting of 18 November 2019.

The City of Sydney's Income Statement for the year ended 30 June 2019 reports a Net Operating Result for the year of \$94.5M, in accordance with relevant accounting standards and reporting requirements, against a budget of \$(0.6M). The favourable result against budget is mainly due to a substantial revaluation of the City's Investment Properties and a delay, awaiting achievement of project milestones, in the payment of the City's final large contribution to Transport NSW for the Light Rail Project.

In finalising the 2018/19 Financial Statements, some further adjustments were made to the results reported to Council within the 2018/19 Quarter 4 Review of the Delivery Program. These adjustments are summarised in the attached background information.

The Statement of Financial Position reports Net Assets of \$12.1B, an increase of \$0.1B over the year.

The City of Sydney remains in a strong, stable financial position. The City is well placed to fund its operations on an ongoing basis, with sufficient financial resources to support its ongoing operations and programs, and the \$1.7B capital works program identified within the City's 2019/20 to 2028/29 Long Term Financial Plan.

The 2018/19 financial statements incorporate mandatory disclosures of financial performance ratios within the Statement of Performance Measurement (Note 28 of the General Purpose Financial Statements) and the Report on Infrastructure Assets (a Special Schedule). The ratios include performance measures and benchmarks mandated by the Office of Local Government (OLG), as well as other relevant performance indicators.

Effective measurement and monitoring of a range of relevant performance indicators, particularly those related to asset management, remains an ongoing challenge. The City supports the ongoing effort to assess and report each council's financial and asset management sustainability, and will continue to work with the OLG to refine definitions and appropriate benchmarks set for financial indicators. In the interim, the City has reported all mandatory indicators, and additional (supplementary) indicators where it believes these provide more relevant information for the readers of the financial statements.

The City is also seeking to work with the OLG to develop approaches to fixed asset valuation that meet Australian Accounting Standards and are consistently and predicably applied across the local government sector. Valuation adjustments, which are notional book entries and non-cash in nature, can have a very significant impact on the financial position of a Council.

The City's external auditor, the Audit Office of NSW, has completed its review and advised that it will be issuing an unqualified audit opinion on the 2018/19 Financial Statements.

## **Recommendation**

It is resolved that Council:

- (A) receive the Financial Statements for City of Sydney for the year ended 30 June 2019, as shown at Attachment A to the subject report;
- (B) authorise the Lord Mayor, Councillor Jess Scully (member – Audit, Risk and Compliance Committee), Chief Executive Officer, and the Chief Financial Officer to sign the General Purpose Financial Statements;
- (C) authorise the Lord Mayor, Councillor Jess Scully (member – Audit, Risk and Compliance Committee), Chief Executive Officer, and the Chief Financial Officer to sign the Special Purpose Financial Statements;
- (D) receive the auditor's reports on the 2018/19 Annual Financial Statements; and
- (E) authorise that notice be given, by newspaper advertisement, of public presentation of the audited 2018/19 Financial Statements for the City of Sydney at the Council meeting on 18 November 2019.

## **Attachments**

**Attachment A.** 2018/19 Financial Statements

**Attachment B.** Auditor's Report on the 2018/19 Financial Statements

## Background

1. The 2018/19 Financial Statements have been prepared for the City of Sydney in accordance with applicable Australian Accounting Standards and 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 (the Code).
2. The Annual Financial Statements comprise the:
  - (a) General Purpose Financial Statements
    - (i) Income Statement
    - (ii) Statement of Comprehensive Income
    - (iii) Statement of Financial Position
    - (iv) Statement of Changes in Equity
    - (v) Statement of Cash Flows
  - (b) Special Purpose Financial Statements
    - (i) Income Statement of Business Activities
    - (ii) Statement of Financial Position of Business Activities
  - (c) Special Schedules (note that these schedules are not subject to audit)
    - (i) Special Schedule – Permissible Income for General Rates.
    - (ii) Special Schedule – Report on Infrastructure Assets as at 30 June 2019.
3. Notes to the accounts provide supporting information, and these, together with the above Financial Statements, fulfil all related statutory financial reporting requirements and are included within the City's Annual Report.
4. The Audit Office of NSW, the City's external auditor, has reviewed the Financial Statements and has indicated that it will provide the City with an unqualified audit opinion.
5. The Office of Local Government requires councils to value non-current assets at fair value on a staged approach of valuing different asset classes in different years, and to continue the cycle on a rolling basis.
6. As a result, the valuation process comprises revaluations of each asset class on a maximum five year cycle basis. The City has the option to undertake valuations more frequently, if required.
7. The draft Financial Statements were reviewed by the Audit Risk and Compliance Committee on 3 October 2019 for endorsement to Council for authorisation.
8. The 2018/19 financial statements incorporate mandatory disclosures of financial performance ratios within the Statement of Performance Measurement (Note 28 in the General Purpose Financial Statements) and the Report on Infrastructure Assets.

9. While the City supports the ongoing measurement and monitoring of a range of relevant performance indicators, to assess and report each council's financial and asset management sustainability, there remain a number of reservations about the current definition and mandatory benchmarks for a number of these indicators. The City's management and financial staff have provided submissions on these concerns, as have a number of other local government professionals and auditors, and we will continue to work with the Office of Local Government to refine the current suite of indicators.
10. In cases where the mandatory ratios provide an inadequate or misrepresentative measure of the City's underlying financial performance and/or position, the City has provided supplementary indicators that eliminate some or all of these inadequacies to present a more realistic and balanced view. The importance of providing this additional disclosure to the readers of the financial statements was brought into focus by the NSW Government's '*Fit for the Future*' program for local government reform. The City's submission to IPART in 2015 in respect of *Fit for the Future* articulated the inherent shortcomings of the key ratios and benchmarks, including Operating Performance, Debt Service (benchmark) and Asset Renewal.
11. The Audit Office of NSW, Council's external auditor, have completed their review and advised that they will be issuing an unqualified audit opinion on the 2018/19 Financial Statements.

### Financial Implications

12. The Financial Statements reflect a Net Operating Result for the year of \$94.5M, in accordance with relevant accounting standards and reporting requirements, against a budget of (\$0.6M) and a Net Operating Result excluding Capital Grants and Contributions and Contribution to Light Rail of \$98.0M (versus Budget \$18.9M). The favourable result against budget is mainly due to a substantial revaluation of the City's Investment Properties and a delay, awaiting achievement of project milestones, in the payment of the City's final large contribution to Transport NSW for the Light Rail Project
13. The Quarter4 Report to Council on 19 August 2019 reflected a Net Surplus of \$94.4M. There is a difference of \$0.1M between the Q4 Net Surplus and the 2018/19 Financial Statements' Net Operating Result.

14. Movements from the Quarter 4 Report to the Financial Statements comprised:

	<b>\$M Fav/(Unfav)</b>
<b>Net Operating Result (reported at Q4 Review)</b>	<b>\$94.4M</b>
Recognition of Capital Grants and Contributions Income (largely works in kind and land dedication recognition)	\$5.4M
Finalise accounting treatment for expensing of non-capital items from capital works	(\$3.9M)
Depreciation expense adjustments resulting from fixed asset finalisation	(\$3.1M)
Minor year-end income and expenditure adjustments	\$1.7M
<b>Net Operating Result (Final)</b>	<b>\$94.5M</b>

15. The significant variances to budget were explained in detail in the Q4 Report which was presented to Council on 19 August 2018.
16. Since that report, additional Capital Contributions of \$5.4M were recognised as a result of finalising the accounting treatment of land dedicated to the City from Voluntary Planning Agreements with developers, largely comprising land under roads.
17. The City of Sydney remains in a strong, stable financial position. The City is well placed to fund its operations on an ongoing basis, with sufficient financial resources to support the \$1.7B capital works program identified within the City's 2019/20 to 2028/29 Long Term Financial Plan.

### Relevant Legislation

18. The Local Government Act (1993) requires Council's annual financial statements to be prepared and audited within four months after the end of the year concerned (section 416(1)).
19. The Local Government Act (1993) further requires that, as soon as practicable after a Council receives a copy of the auditor's reports:
- (a) it must fix a date for the meeting at which it proposes to present its audited financial statements, together with the auditor's reports, to the public; and
  - (b) it must give public notice of the date so fixed (section 419(1)).
20. This meeting must be held within five weeks of the receiving the audit opinion.

**Critical Dates / Time Frames**

21. The 2018/19 Financial Statements must be prepared, audited and submitted to the Office of Local Government by 31 October 2019.
22. A public notice must be placed to advise that the 2018/19 Financial Statements and the Auditor's Report will be presented to the public at the Council meeting of 18 November 2019. The Financial Statements will be included in the Annual Report which must be lodged with the Office of Local Government by 30 November 2019

**Public Consultation**

23. After the City's 2018/19 Financial Statements are endorsed by Council, a notice will be issued to present the audited statements to the public at the Council meeting of 18 November 2019.

**BILL CARTER**

Chief Financial Officer

# **Attachment A**

**2018/19 Financial Statements**

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# General Purpose Financial Statements

2018/19

## City of Sydney

### General Purpose Financial Statements for the year ended 30 June 2019

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#### Overview

City of Sydney is constituted under the Local Government Act 1993 (NSW) ("the LGA") and has its principal place of business at:

456 Kent Street  
Sydney NSW 2000

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by Council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: [www.cityofsydney.nsw.gov.au](http://www.cityofsydney.nsw.gov.au).

## City of Sydney

### General Purpose Financial Statements

for the year ended 30 June 2019

## Understanding Council's financial statements

### Introduction

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

### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

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

### About the Councillor/Management Statement

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

### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

#### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

#### 2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

#### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

#### 4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

#### 5. The Statement of Cash Flows

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

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

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

### Who uses the financial statements?

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

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

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

## City of Sydney

### General Purpose Financial Statements for the year ended 30 June 2019

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 28 October 2019.**

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Clover Moore  
Lord Mayor

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

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Monica Barone  
Chief Executive Officer

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Bill Carter  
Responsible Accounting Officer

## City of Sydney

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual <sup>1</sup> 2018
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
351,865	Rates and annual charges	3a	354,761	311,935
116,179	User charges and fees	3b	116,647	115,311
14,012	Interest and investment revenue	3c	17,495	15,293
114,981	Other revenues	3d	122,488	115,722
12,839	Grants and contributions provided for operating purposes	3e,f	14,368	14,363
82,762	Grants and contributions provided for capital purposes	3e,f	60,167	133,040
<b>Other income:</b>				
–	Net gains from the disposal of assets	5	1,909	3,876
–	Fair value increment on investment property	11	58,427	48,091
<b>692,638</b>	<b>Total income from continuing operations</b>		<b>746,261</b>	<b>757,632</b>
<b>Expenses from continuing operations</b>				
238,577	Employee benefits and on-costs	4a	238,964	221,899
–	Borrowing costs	4b	–	–
114,077	Materials and contracts	4c	142,137	125,616
109,433	Depreciation and amortisation	4d	106,943	100,605
128,928	Other expenses	4e	100,095	92,436
102,200	Contribution to Transport for NSW - Light Rail CBD to South East	4e	63,600	–
<b>693,215</b>	<b>Total expenses from continuing operations</b>		<b>651,740</b>	<b>540,554</b>
<b>(577)</b>	<b>Net operating result for the year</b>		<b>94,521</b>	<b>217,077</b>
<b>(83,339)</b>	<b>Net operating result for the year before Capital Grants and Contributions Income</b>		<b>34,355</b>	<b>84,037</b>
<b>18,861</b>	<b>Net operating result for the year before Capital Grants and Contributions Income and Contribution to Light Rail</b>		<b>97,955</b>	<b>84,037</b>

<sup>1</sup> The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

## City of Sydney

Statement of Comprehensive Income  
for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>Net operating result for the year</b> (as per Income Statement)		<b>94,521</b>	<b>217,077</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	–	(4,380)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>–</b>	<b>(4,380)</b>
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>–</b>	<b>(4,380)</b>
<b>Total comprehensive income for the year</b>		<b>94,521</b>	<b>212,697</b>

<sup>1</sup> The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

## City of Sydney

Statement of Financial Position  
as at 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	150,887	136,374
Investments	6b	216,482	258,479
Receivables	7	71,505	52,446
Inventories	8	594	549
Other	8	6,030	4,000
Non-current assets classified as 'held for sale'	9	81,334	65,958
<b>Total current assets</b>		<b>526,832</b>	<b>517,807</b>
<b>Non-current assets</b>			
Investments	6b	256,061	208,370
Receivables	7	31,292	53,998
Infrastructure, property, plant and equipment	10	11,156,278	11,052,101
Investment property	11	339,350	344,000
Intangible assets	12	15,456	13,698
Other	8	140	154
<b>Total non-current assets</b>		<b>11,798,577</b>	<b>11,672,322</b>
<b>TOTAL ASSETS</b>		<b>12,325,410</b>	<b>12,190,128</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	13	101,427	77,774
Income received in advance	13	29,645	16,322
Provisions	14	69,561	68,942
<b>Total current liabilities</b>		<b>200,632</b>	<b>163,039</b>
<b>Non-current liabilities</b>			
Provisions	14	26,314	22,108
<b>Total non-current liabilities</b>		<b>26,314</b>	<b>22,108</b>
<b>TOTAL LIABILITIES</b>		<b>226,946</b>	<b>185,147</b>
<b>Net assets</b>		<b>12,098,463</b>	<b>12,004,981</b>
<b>EQUITY</b>			
Accumulated surplus	15	3,909,433	3,815,951
Revaluation reserves	15	4,596,226	4,596,226
Trust assets reserve	15	3,592,804	3,592,804
<b>Total equity</b>		<b>12,098,463</b>	<b>12,004,981</b>

<sup>1</sup> The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

## City of Sydney

## Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2018/19				2017/18 <sup>1</sup>			
		Accumulated surplus	IPP&E revaluation reserve	Trust assets reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Trust assets reserve	Total equity
<b>Opening balance</b>		3,815,951	4,596,226	3,592,804	<b>12,004,981</b>	3,604,252	4,649,460	3,557,032	<b>11,810,743</b>
Adoption of new accounting standards – not retrospective	15 (c)	(1,039)	–	–	<b>(1,039)</b>	–	–	–	<b>–</b>
<b>Restated opening balance</b>		<b>3,814,912</b>	<b>4,596,226</b>	<b>3,592,804</b>	<b>12,003,942</b>	<b>3,604,252</b>	<b>4,649,460</b>	<b>3,557,032</b>	<b>11,810,743</b>
Net operating result for the year prior to correction of errors and changes in accounting policies		<b>94,521</b>	–	–	<b>94,521</b>	217,077	–	–	<b>217,077</b>
<b>Net operating result for the year</b>		<b>94,521</b>	<b>–</b>	<b>–</b>	<b>94,521</b>	<b>217,077</b>	<b>–</b>	<b>–</b>	<b>217,077</b>
<b>Other comprehensive income</b>									
– Gain (loss) on revaluation of IPP&E	10a	–	–	–	<b>–</b>	–	(4,380)	–	<b>(4,380)</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4,380)</b>	<b>–</b>	<b>(4,380)</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>94,521</b>	<b>–</b>	<b>–</b>	<b>94,521</b>	<b>217,077</b>	<b>(4,380)</b>	<b>–</b>	<b>212,697</b>
Equity adjustments related to land		–	–	–	<b>–</b>	(5,378)	(48,853)	35,772	<b>(18,459)</b>
<b>Equity – balance at end of the reporting period</b>		<b>3,909,433</b>	<b>4,596,226</b>	<b>3,592,804</b>	<b>12,098,463</b>	<b>3,815,951</b>	<b>4,596,226</b>	<b>3,592,804</b>	<b>12,004,981</b>

<sup>1</sup> The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared

## City of Sydney

## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
351,865	Rates and annual charges		353,001	310,110
113,636	User charges and fees		117,850	132,656
14,012	Investment and interest revenue received		17,150	15,874
85,101	Grants and contributions		71,281	105,269
–	Bonds, deposits and retention amounts received		12,291	13,818
114,323	Other receipts from operating activities		162,552	149,502
<b>Payments:</b>				
(238,577)	Employee benefits and on-costs		(232,490)	(221,135)
(100,365)	Materials and contracts		(130,057)	(144,718)
–	Bonds, deposits and retention amounts refunded		(12,013)	(10,562)
(220,561)	Other payments for operating activities		(203,231)	(107,891)
<u>119,435</u>	<b>Net cash provided by (or used in) operating activities</b>	16b	<u>156,332</u>	<u>242,923</u>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
71,291	Sale/redemption of investment securities		649,000	381,000
162,912	Sale of infrastructure, property, plant and equipment		8,307	28,368
<b>Payments:</b>				
–	Purchase of investment securities		(655,673)	(384,483)
(1,315)	Purchase of investment property		(1,400)	(2,500)
(360,546)	Purchase of infrastructure, property, plant and equipment		(139,348)	(177,594)
(12,602)	Purchase of intangible assets		(2,706)	(3,198)
<u>(140,259)</u>	<b>Net cash provided by (or used in) investing activities</b>		<u>(141,820)</u>	<u>(158,407)</u>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
Nil				
<u>(20,825)</u>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>14,513</u>	<u>84,516</u>
123,024	Plus: cash and cash equivalents – beginning of year	16a	136,374	51,858
<u>102,199</u>	<b>Cash and cash equivalents – end of the year</b>	16a	<u>150,887</u>	<u>136,374</u>
Additional Information:				
421,148	plus: Investments on hand – end of year	6b	472,543	466,849
<u>523,347</u>	<b>Total cash, cash equivalents and investments</b>		<u>623,430</u>	<u>603,224</u>

# City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

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## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 28 October 2019.

Council has the power to amend and reissue these financial statements.

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

##### **Basis of preparation**

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

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

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

- Income statement
- Statement of cash flows
- Note 21 – Material budget variations

##### **(a) New and amended standards adopted by Council**

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures are discussed in Note 15.

##### **(b) Historical cost convention**

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

##### **(c) Significant accounting estimates and judgements**

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

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

##### ***Critical accounting estimates and assumptions***

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

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 1. Basis of preparation (continued)

These estimates and assumptions include:

- (i) estimated fair values of investment properties – refer Note 11,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (iii) estimated former depot remediation provisions – refer Note 14,
- (iv) employee benefit provisions – refer Note 14.

#### **Significant judgements in applying the Council's accounting policies**

- (i) Impairment of receivables

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

#### **Monies and other assets received by Council**

##### **(a) The Consolidated Fund**

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

The Consolidated Fund consists of cash and other assets associated with general purpose operations only.

##### **(b) The Trust Fund**

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

The following trust monies held by Council but not considered to be under the control of Council are excluded from these financial statements:

- Walter Burley Griffin Fund
- Sale of Land for Unpaid Rates (residual amounts after outstanding sums recovered)
- Bequests – Trust
- QVB Replacement Fund
- Sydney Metropolitan Mayors Association

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

#### **Goods and Services Tax (GST)**

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

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 1. Basis of preparation (continued)

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

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

#### **New accounting standards and interpretations issued not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

##### **AASB 16 Leases**

AASB 16 will result (for the 2019/20 financial year and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (i.e. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1 July 19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30 June 2019.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$37.2M - refer Note 18 (note that amount of \$40.9M shown at Note 18 includes GST).

Of these commitments, approximately \$29.2M relate to leases paid on a contingent rental basis. A further \$4.9M relates to an agreement with a utility provider that is not classified as a lease under AASB 16, as Council does not obtain substantially all benefits associated with the underlying asset.

Both these lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

For the remaining operating lease commitments of \$6.8M, which relate to a 15 year initial lease term of a library facility, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$9.2M (reflecting the expectation of an additional 15 year option period being taken up, and after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totalling \$9.2M on 1 July 2019.

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 1. Basis of preparation (continued)

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net current assets will be approximately \$410,000 lower due to the presentation of a portion of the lease liability as a current liability.

Council expects that net operating result will decrease by approximately \$148,000 for the 2019/20 financial year as a result of adopting the standard.

Operating cash flows will increase and financing cash flows decrease by approximately \$160,000 in the 2019/20 financial year, as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Council's activities as a lessor are not expected to result in any significant impact on the financial statements. However, some additional disclosures will be required from next year.

#### **AASB 15 Revenue from Contracts with Customers and associated amending standards.**

AASB 15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue 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.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

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

Specific potential impacts of AASB15 are expected to include:

- An opening adjustment to Accumulated Surplus, to reflect any income previously recognised for agreements where Council is yet to fulfil performance obligations
- Deferred income recognition for sponsorship agreements, with income to be recognised consistent with Council's fulfilment of performance obligations under the sponsorship agreement
- Deferred income recognition for certain specific purpose grants, to align income recognition with the fulfilment of performance obligations
- Recognition of gross revenue (and corresponding expense amount) for a facilities management contract arrangement currently paid on a net basis.

#### **AASB 1058 Income of NFP Entities**

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 1. Basis of preparation (continued)

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

Specific potential impacts of AASB1058 are expected to include:

- An opening adjustment to Accumulated Surplus, to reflect any income previously recognised for agreements where Council is yet to fulfil performance obligations
- Deferred income recognition for certain specific purpose grants, to align income recognition with the fulfilment of performance obligations

#### **AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities**

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

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

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

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Globally competitive and innovative city	41,512	42,326	54,339	51,202	(12,828)	(8,876)	100	45	16,680	3,107
Leading environmental performer	1,151	2,019	85,520	80,282	(84,369)	(78,263)	578	292	240,477	223,523
Integrated transport for a connected city	86,329	83,807	76,875	73,851	9,454	9,957	1,614	3,990	989,712	997,138
City for walking and cycling	114	1,072	1,401	1,482	(1,287)	(410)	114	1,072	74,917	72,089
Lively and engaging city centre	–	0	545	612	(545)	(612)	–	–	49	93
Resilient and inclusive local communities	17,091	15,662	110,923	106,579	(93,832)	(90,918)	3,591	3,363	6,822,197	6,811,163
Cultural and creative city	3,012	2,795	7,187	6,843	(4,174)	(4,048)	–	–	226	42,501
Housing for a diverse community	–	–	2,107	4,176	(2,107)	(4,176)	–	–	–	–
Sustainable development, renewal and design	75,610	148,815	42,913	39,999	32,697	108,816	–	–	7,501	14,619
Implementation through effective governance and partnerships	195,700	180,084	269,931	175,527	(74,231)	4,556	182	144	4,173,651	4,025,895
General Purpose Income	325,742	281,052	–	–	325,742	281,052	7,614	5,685	–	–
<b>Total functions and activities</b>	<b>746,261</b>	<b>757,632</b>	<b>651,740</b>	<b>540,554</b>	<b>94,521</b>	<b>217,077</b>	<b>13,793</b>	<b>14,591</b>	<b>12,325,410</b>	<b>12,190,128</b>

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2019

#### 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.

##### **Resilient and inclusive local communities**

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 community**

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 2019

## Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	75,755	68,746
Business	230,397	197,163
Less: pensioner rebates (mandatory)	(432)	(421)
Less: pensioner rebates (Council policy)	(1,904)	(1,638)
	<b>303,817</b>	<b>263,850</b>
Pensioner rate subsidies received	365	355
<b>Total ordinary rates</b>	<b>304,182</b>	<b>264,205</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	49,646	46,841
Stormwater management services	2,068	1,991
Less: pensioner rebates (mandatory)	(225)	(233)
Less: pensioner rebates (Council policy)	(912)	(870)
<b>Total annual charges</b>	<b>50,578</b>	<b>47,730</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>354,761</b>	<b>311,935</b>

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

**Accounting policy for rates and annual charges**

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)		
Nil		
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	16,334	17,542
Private works – section 67	6,182	6,062
Health inspections	1,444	1,522
<b>Total fees and charges – statutory/regulatory</b>	<b>23,960</b>	<b>25,126</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Child care	1,660	1,927
Advertising space income	11,624	11,846
Parking meter income	37,997	38,448
Parking station income	9,836	10,025
Recreation facilities hire	4,341	4,018
Venue hire	5,762	5,261
Workzone and filming fees	15,008	11,925
Other	6,459	6,735
<b>Total fees and charges – other</b>	<b>92,687</b>	<b>90,185</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>116,647</b>	<b>115,311</b>

**Accounting policy for user charges and fees**

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

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	572	227
– Cash and investments	16,864	15,575
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	–	(777)
– Recovery of prior year losses - Collateralised Debt Obligations (CDOs)	40	267
<b>Amortisation of premiums and discounts</b>		
– 'Held to maturity' investments	19	–
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>17,495</b>	<b>15,293</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	572	227
General Council cash and investments	5,567	1,888
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	1,895	3,181
– Planning agreements/bonus floorspace levy	866	903
Domestic waste management operations	707	683
Stormwater Management Service Charge	15	11
Specific Purpose Unexpended Grants	16	14
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	7,858	8,386
<b>Total interest and investment revenue recognised</b>	<b>17,495</b>	<b>15,293</b>

**Accounting policy for interest and investment revenue**

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

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(d) Other revenues</b>			
Rental income – investment property	11	20,021	19,530
Rental income – other council properties		60,203	54,657
Ex gratia rates		750	661
Fines – enforcement of regulations		37,877	39,446
Sponsorship and donations		331	444
Other		3,307	985
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>122,488</u></b>	<b><u>115,722</u></b>

#### Accounting policy for other revenue

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

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

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Operating	2018 Operating	2019 Capital	2018 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	5,329	4,395	–	–
Financial assistance – local roads component	1,465	1,291	–	–
<b>Total general purpose</b>	<b>6,794</b>	<b>5,685</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Child care	2,188	1,713	–	–
Community and recreation	990	1,192	–	–
Environmental programs	559	292	39	–
Library	544	530	–	–
Transport (roads to recovery)	–	1,421	–	–
Transport (other roads and bridges funding)	1,134	1,115	1,546	2,644
<b>Total specific purpose</b>	<b>5,415</b>	<b>6,262</b>	<b>1,585</b>	<b>2,644</b>
<b>Total grants</b>	<b>12,208</b>	<b>11,947</b>	<b>1,585</b>	<b>2,644</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	8,655	9,096	–	–
– State funding	3,553	2,851	1,585	2,644
	<b>12,208</b>	<b>11,947</b>	<b>1,585</b>	<b>2,644</b>
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>				
<b>Cash contributions</b>				
S 7.4 – contributions using planning agreements	–	–	5,580	34,643
S 7.11 – contributions towards amenities/services	–	–	11,675	39,745
S 61 – fixed development consent levies	–	–	19,628	24,487
<b>Total developer contributions – cash</b>	<b>–</b>	<b>–</b>	<b>36,883</b>	<b>98,875</b>
<b>Non-cash contributions</b>				
S 7.4 – contributions using planning agreements	–	–	14,461	17,164
S 7.11 – contributions towards amenities/services	–	–	–	7,032
<b>Total developer contributions – non-cash</b>	<b>–</b>	<b>–</b>	<b>14,461</b>	<b>24,196</b>
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>51,344</b>	<b>123,071</b>

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## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Operating	2018 Operating	2019 Capital	2018 Capital
<b>(f) Contributions (continued)</b>				
<b>Other contributions:</b>				
<b>Cash contributions</b>				
External contributions to capital projects	–	–	522	12
Other	2,159	2,415	–	–
<b>Total other contributions – cash</b>	<b>2,159</b>	<b>2,415</b>	<b>522</b>	<b>12</b>
<b>Non-cash contributions</b>				
Dedications	–	–	6,715	7,314
<b>Total other contributions – non-cash</b>	<b>–</b>	<b>–</b>	<b>6,715</b>	<b>7,314</b>
<b>Total other contributions</b>	<b>2,159</b>	<b>2,415</b>	<b>7,237</b>	<b>7,326</b>
<b>Total contributions</b>	<b>2,159</b>	<b>2,415</b>	<b>58,582</b>	<b>130,397</b>
<b><u>TOTAL GRANTS AND CONTRIBUTIONS</u></b>	<b><u>14,368</u></b>	<b><u>14,363</u></b>	<b><u>60,167</u></b>	<b><u>133,040</u></b>

**Accounting policy for grants and contributions**

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

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

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4 and 7.11 of the *Environmental Planning and Assessment Act 1979*, and section 61 of the *City of Sydney Act 1988*.

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

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

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

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	170	–
<b>Add:</b> operating grants recognised as income in the current period but not yet spent	2	170
<b>Add:</b> operating grants recognised as income in the current period received for the provision of goods and services in a future period	30	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(100)	–
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>102</u>	<u>170</u>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	858	–
<b>Add:</b> capital grants recognised as income in the current period but not yet spent	–	858
<b>Add:</b> capital grants recognised as income in the current period received for the provision of goods and services in a future period	19	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(858)	–
<b>Unexpended and held as restricted assets (capital grants)</b>	<u>19</u>	<u>858</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	169,480	136,743
<b>Add:</b> contributions recognised as income in the current period but not yet spent	32,315	79,699
<b>Less:</b> contributions recognised in a previous reporting period now spent	(51,326)	(46,963)
<b>Unexpended and held as restricted assets (contributions)</b>	<u>150,468</u>	<u>169,480</u>

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	189,818	180,474
Travel expenses	260	229
Employee leave entitlements (ELE)	22,778	20,359
Superannuation – defined contribution plans	14,537	13,416
Superannuation – defined benefit plans	7,060	5,944
Workers' compensation insurance	7,519	3,708
Fringe benefit tax (FBT)	685	903
Training costs (other than salaries and wages)	1,710	1,756
Other	2,025	1,548
<b>Total employee costs</b>	<b>246,392</b>	<b>228,337</b>
Less: capitalised costs	(7,427)	(6,439)
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>	<b><u>238,964</u></b>	<b><u>221,899</u></b>
Number of 'full-time equivalent' employees (FTE) at year end	<b>1,836</b>	<b>1,794</b>

#### Accounting policy for employee benefits and on-costs

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

#### Retirement benefit obligations

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

#### Superannuation plans

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

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

#### (b) Borrowing costs

Nil

#### Accounting policy for borrowing costs

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

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	5,211	4,987
Contractor and consultancy costs:		
– Building and facilities management	27,604	24,777
– City infrastructure management	9,486	9,058
– Parks management	17,220	16,393
– Waste disposal, recycling and graffiti removal	29,172	28,373
– Project costs and minor contracts	34,819	26,346
– Consultancies	5,837	3,218
Auditors remuneration <sup>(2)</sup>	207	202
Legal expenses:		
– Legal expenses: planning and development	1,293	477
– Legal expenses: other	1,162	1,010
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	811	815
Asset maintenance and minor purchases	8,191	7,656
Other	2,060	2,740
<b>Total materials and contracts</b>	<b>143,072</b>	<b>126,050</b>
Less: capitalised costs	(935)	(434)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>142,137</b>	<b>125,616</b>

**1. Operating leases**

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

Buildings	773	799
Other	38	15
	<b>811</b>	<b>815</b>

**2. Auditor remuneration**

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

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

Audit and review of financial statements	207	202
<b>Total Auditor-General remuneration</b>	<b>207</b>	<b>202</b>
<b>Total Auditor remuneration</b>	<b>207</b>	<b>202</b>

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		12,014	11,753
Office equipment		2,162	2,282
Furniture and fittings		4,198	4,398
<b>Infrastructure:</b>			
– Buildings – non-specialised		27,770	27,317
– Buildings – specialised		479	475
– Roads		22,241	21,514
– Stormwater drainage		3,479	3,168
– Open space/recreational assets		21,605	18,703
<b>Other assets:</b>			
– Library books		1,439	1,266
– Poles and lighting		5,497	5,267
– Public art / open museum		493	449
Intangible assets - software (amortisation)	12	5,566	4,013
<b>Total depreciation and amortisation costs</b>		<b>106,943</b>	<b>100,605</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
Nil			
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>		<b>106,943</b>	<b>100,605</b>

**Depreciation and amortisation**

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

**Impairment of non-financial assets**

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

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

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

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

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Advertising	1,756	2,367
Bad and doubtful debts	855	290
Bank charges	1,733	1,571
Books and periodicals	144	145
Computing costs	12,912	9,263
Contributions/levies to other levels of government	15,806	14,563
Councillor expenses – Lord Mayoral fee	222	213
Councillor expenses – councillors' fees	397	390
Councillors' expenses (incl. mayor) – other (excluding fees above)	240	127
Donations, contributions and assistance to other organisations (Section 356)	16,348	16,967
Event and project costs	14,130	13,668
Insurance	3,688	2,747
Land tax and water rates	2,057	1,974
Management fees – investments	16	15
Other property related expenditure	809	669
Parking enforcement – payment to NSW government	5,227	3,121
Postage and couriers	1,434	1,381
Printing and stationery	1,646	1,676
Public domain enhancement contributions	423	2,277
Research and development	836	403
Security	2,174	2,695
Storage	645	531
Street lighting	4,429	4,509
Telephone and communications	2,609	2,440
Utilities	5,395	4,738
Other	4,164	3,693
<b><u>OTHER EXPENSES</u></b>	<b><u>100,095</u></b>	<b><u>92,436</u></b>
Contribution to Transport for NSW – Light Rail CBD to South East <sup>1</sup>	63,600	–
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>163,695</u></b>	<b><u>92,436</u></b>

<sup>1</sup> 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 total contribution towards the delivery of the CBD and South East Sydney light rail project. Progress payments are to be made and expenses recognised over a number of financial years, commensurate with agreed project milestones. For the year ended 30 June 2018, the required milestones had not been achieved. The 2018/19 financial year payment reflects the contribution originally expected to be paid in 2017/18.

**Accounting policy for other expenses**

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

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 5. Gain or loss from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
<b>Property</b> (excl. investment property)	10		
Proceeds from disposal – property		190	9,213
Less: carrying amount of property assets sold/written off		(113)	(3,227)
<b>Net gain/(loss) on disposal</b>		<b>77</b>	<b>5,986</b>
<b>Plant and equipment</b>	10		
Proceeds from disposal – plant and equipment		1,267	455
Less: carrying amount of assets sold/written off		(728)	(1,486)
<b>Net gain/(loss) on disposal</b>		<b>539</b>	<b>(1,031)</b>
<b>Infrastructure</b>	10		
Less: carrying amount of infrastructure assets sold/written off		(1,173)	(1,079)
<b>Net gain/(loss) on disposal</b>		<b>(1,173)</b>	<b>(1,079)</b>
<b>Investments</b>	6b		
Proceeds from disposal/redemptions/maturities – investments		649,000	771,000
Less: carrying amount of investments sold/redeemed/matured		(649,000)	(771,000)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Non-current assets classified as ‘held for sale’</b>	9		
Proceeds from disposal – non-current assets ‘held for sale’		6,850	–
Less: carrying amount of ‘held for sale’ assets sold/written off		(4,383)	–
<b>Net gain/(loss) on disposal</b>		<b>2,467</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>1,909</b>	<b>3,876</b>

**Accounting policy for disposal of assets**

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

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

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	7,404	20,650
Cash-equivalent assets		
– Deposits at call	33,483	35,725
– Short-term deposits	110,000	80,000
<b>Total cash and cash equivalents</b>	<b>150,887</b>	<b>136,374</b>

**Accounting policy for cash and cash equivalents**

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

## Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
<b>a. 'Financial assets at fair value through profit and loss'</b>				
– 'Designated at fair value on initial recognition'	–	–	58,479	173,370
<b>b. 'Financial assets at amortised cost' / 'held to maturity' (2018)</b>	<b>216,482</b>	<b>256,061</b>	<b>200,000</b>	<b>35,000</b>
<b>Total investments</b>	<b>216,482</b>	<b>256,061</b>	<b>258,479</b>	<b>208,370</b>
<b><u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u></b>	<b><u>367,369</u></b>	<b><u>256,061</u></b>	<b><u>394,854</u></b>	<b><u>208,370</u></b>
<b>Financial assets at fair value through the profit and loss</b>				
<u>NCD's, FRN's (with maturities &gt; 3 months)</u>	–	–	58,479	173,370
<b>Total</b>	<b>–</b>	<b>–</b>	<b>58,479</b>	<b>173,370</b>
<b>Financial assets at amortised cost ("Held to maturity" in 2018)</b>				
Long term deposits	159,000	100,000	200,000	35,000
<u>NCD's, FRN's (with maturities &gt; 3 months)</u>	<u>57,482</u>	<u>156,061</u>	<u>–</u>	<u>–</u>
<b>Total</b>	<b>216,482</b>	<b>256,061</b>	<b>200,000</b>	<b>35,000</b>

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 6(b). Investments (continued)

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##### Accounting policy for investments

##### Accounting policy under AASB 9 – applicable from 1 July 2018

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

##### Financial Assets

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

##### Classification

On initial recognition, Council classifies its financial assets into the following categories:

- amortised cost
- fair value through profit and loss
- fair value through other comprehensive income – equity instrument

Financial assets are not reclassified subsequent to their initial recognition.

##### Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

##### Fair value through other comprehensive income – equity instruments

Where strategic investments are held in entities over which Council does not have significant influence nor control, Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

Council did not, in either year shown, hold any investments at Fair value through other comprehensive income.

##### Financial assets through profit or loss

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

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

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 6(b). Investments (continued)

#### **Accounting policy under AASB 139 – applicable for 2018 comparatives only**

##### **Classification**

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

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

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

##### **(b) Held to maturity investments**

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

##### **(c) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounting policy details relating to recognition of loans and receivables are shown at Note 7. Council did not hold any loans for the reporting years shown.

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

##### **(d) 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. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

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

##### **Recognition and de-recognition**

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

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	367,369	256,061	394,854	208,370
<b>attributable to:</b>				
External restrictions (refer below)	40,627	77,686	61,459	65,240
Internal restrictions (refer below)	73,977	178,375	166,497	143,130
Unrestricted	252,765	–	166,898	–
	<b>367,369</b>	<b>256,061</b>	<b>394,854</b>	<b>208,370</b>
<b>\$ '000</b>			<b>2019</b>	<b>2018</b>
<b>Details of restrictions</b>				
<b>External restrictions</b>				
Developer contributions – general			91,694	99,667
Specific purpose unexpended grants			121	1,028
Domestic waste management			25,992	25,574
Stormwater management			506	431
<b>Total external restrictions</b>			<b>118,313</b>	<b>126,699</b>
<b>Internal restrictions</b>				
Affordable and diverse housing fund			8,772	8,858
Alternative heritage floor space scheme receipts			11,582	–
City centre transformation reserve			41,100	104,700
Commercial property reserve			16,063	9,213
Community facilities reserve			–	15,456
Employee leave entitlement			6,718	6,595
Green infrastructure			22,182	23,133
Green square reserve			86,325	86,325
Infrastructure contingency			2,381	2,540
Performance cash bonds and retentions			25,971	25,695
Public liability insurance			1,215	658
Renewable energy reserve			8,629	9,404
Workers compensation			21,416	17,050
<b>Total internal restrictions</b>			<b>252,352</b>	<b>309,626</b>
<b>TOTAL RESTRICTIONS</b>			<b>370,665</b>	<b>436,326</b>
<b>Unrestricted Cash and Investments</b>			<b>252,765</b>	<b>166,898</b>
<b>TOTAL CASH, CASH EQUIVALENTS AND INVESTMENTS</b>			<b>623,430</b>	<b>603,224</b>

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

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

##### 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:

**Developer Contributions** - 100% of cash Developer Contributions levied under Section 7.11, 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.

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

**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.

**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.

**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.

**Alternative Heritage Floorspace Scheme receipts** - Cash received through Alternative Heritage Floor Space Scheme, yet to be expended on heritage related projects in accordance with the council-adopted policy.

**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.

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

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

**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.

**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.

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

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

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

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

**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.

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

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

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	4,610	–	4,072	–
Interest and extra charges	64	–	109	–
User charges and fees	4,931	–	4,198	–
Accrued revenues				
– Interest on investments	3,507	–	3,177	–
– Other income accruals	24,712	–	17,410	–
Net GST receivable	1,515	–	2,565	–
Rental debtors	8,296	–	6,530	–
Outstanding works in kind contributions	27,482	31,292	15,814	53,998
<b>Total</b>	<b>75,118</b>	<b>31,292</b>	<b>53,876</b>	<b>53,998</b>
<b>Less: provision for impairment</b>				
Rental debtors and user charges and fees	(3,613)	–	(1,430)	–
<b>Total provision for impairment – receivables</b>	<b>(3,613)</b>	<b>–</b>	<b>(1,430)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>71,505</b>	<b>31,292</b>	<b>52,446</b>	<b>53,998</b>
<b>Externally restricted receivables</b>				
Domestic waste management	635	–	625	–
Domestic waste management - extra charges	23	–	21	–
Other				
– Works receivable (developer contributions)	27,482	31,292	15,814	53,998
<b>Total external restrictions</b>	<b>28,139</b>	<b>31,292</b>	<b>16,460</b>	<b>53,998</b>
<b>Internally restricted receivables</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>43,366</b>	<b>–</b>	<b>35,986</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>71,505</b>	<b>31,292</b>	<b>52,446</b>	<b>53,998</b>
<b>Movement in provision for impairment of receivables</b>			<b>2019</b>	<b>2018</b>
Balance at the beginning of the year (calculated in accordance with AASB 139)			1,430	1,153
+ new provisions recognised during the year			2,562	638
– amounts already provided for and written off this year			(119)	(4)
– amounts provided for but recovered during the year			(171)	(191)
– previous impairment losses reversed			(89)	(167)
<b>Balance at the end of the year</b>			<b>3,613</b>	<b>1,430</b>

**Accounting policy for receivables****Recognition and measurement**

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

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

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

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 7. Receivables (continued)

##### Impairment of receivables

##### Accounting policy under AASB 9 applicable from 1 July 2018

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

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

When considering the expected credit loss (ECL) for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

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

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

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

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

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

A debt write-off is only considered after all attempts and appropriate measures of collecting the debt have failed, and where at least one of the following conditions is satisfied: the debt cannot be proven; the debt is of a size that makes the use of external debt collection agency economically unviable; the debtor and/or their assets cannot be located; the debt is statute barred (the age of the claim is beyond legislatively stated time constraints); the debtor has been declared bankrupt (personal) or in liquidation (corporate) or the company is deregistered; or the debtor is deceased.

The write off of a debt does not preclude any action being taken in the future to collect the outstanding amount, should the prevailing circumstances change. None of the receivables that have been written off are subject to further enforcement activity.

Where Council renegotiates terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

##### Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
Stores and materials	594	–	549	–
<b><u>TOTAL INVENTORIES</u></b>	<b><u>594</u></b>	<b><u>–</u></b>	<b><u>549</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>				
Prepayments	6,016	–	3,986	–
Future benefits – shared services relating to Sutherland animal shelter	14	140	14	154
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>6,030</u></b>	<b><u>140</u></b>	<b><u>4,000</u></b>	<b><u>154</u></b>

**Externally restricted assets**

There are no restrictions applicable to the above assets.

**Accounting policy****Raw materials and stores, work in progress and finished goods**

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

**Land held for resale/capitalisation of borrowing costs**

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

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

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(i) Non-current assets and disposal group assets</b>				
<b>Non-current assets 'held for sale'</b>				
Land	9,440	–	65,046	–
Buildings	44	–	912	–
Investment Property	11 71,850	–	–	–
<b>Total non-current assets 'held for sale'</b>	<b>81,334</b>	<b>–</b>	<b>65,958</b>	<b>–</b>
<b>Disposal group assets 'held for sale'</b>				
Nil				
<b><u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u></b>	<b>81,334</b>	<b>–</b>	<b>65,958</b>	<b>–</b>

**(ii) Details of assets**

The City holds properties previously designated as 'Investment Properties' under AASB140 as 'Held for Sale' at 30 June 2019. Preferred purchasers have been determined, and settlement is anticipated for the first half of the 2019/20 financial year.

Land and buildings assets classified as 'Held for Sale' at 30 June 2018 have been transferred back to non-current Infrastructure, Property, Plant and Equipment (IPPE) at 30 June 2019. A sale transaction was completed for one property in November 2018, and contractual matters have deferred the expected time of settlement for the remaining assets, now anticipated to be more than 12 months from balance date.

**Accounting policy for non-current assets classified as held for sale**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as those arising from employee benefits; financial assets; and investment properties carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) 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 (or disposal group), 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 (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10(a). Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers <sup>2</sup>	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Tfrs from/(to) investment property	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress (WIP) <sup>1</sup>	330,454	–	330,454	30,739	69,030	–	–	(214,804)	(7,318)	–	(8,773)	199,328	–	199,328
Plant and equipment	87,490	52,586	34,904	7,272	1,325	(728)	(12,014)	8,140	–	–	–	101,289	62,390	38,898
Office equipment	22,223	17,622	4,601	1,636	–	–	(2,162)	2,368	–	–	–	16,253	9,810	6,443
Furniture and fittings	41,338	23,221	18,117	169	–	–	(4,198)	4,088	–	–	–	45,595	27,419	18,177
<b>Land:</b>														
– Operational land	1,452,565	–	1,452,565	–	31,499	(3,612)	–	7,454	–	55,606	–	1,543,512	–	1,543,512
– Community land	2,634,277	–	2,634,277	–	1,335	–	–	63	–	–	–	2,635,675	–	2,635,675
– Crown land	3,592,804	–	3,592,804	–	–	–	–	–	–	–	–	3,592,804	–	3,592,804
– Land under roads (post 30/6/08)	65,944	–	65,944	–	9,381	–	–	–	–	–	–	75,326	–	75,326
Other structures – trees	116,362	–	116,362	–	1,074	–	–	1,283	–	–	–	118,719	–	118,719
Other structures – poles and lights	106,426	49,766	56,659	–	2,056	–	(5,497)	6,120	–	–	–	114,601	55,264	59,337
Other structures – signs	17,064	–	17,064	–	170	–	–	2,791	–	–	–	20,026	–	20,026
<b>Infrastructure:</b>														
– Buildings – non-specialised	1,671,941	310,461	1,361,480	129	806	(884)	(27,770)	68,859	–	868	–	1,741,983	338,495	1,403,488
– Buildings – specialised	43,329	12,651	30,679	–	–	–	(479)	1,093	–	–	–	44,422	13,130	31,292
– Roads, Bridges, Footways, Kerbs	1,611,532	736,692	874,840	–	7,906	(1,173)	(22,241)	43,465	(62)	–	–	1,657,277	754,542	902,735
– Stormwater drainage	315,019	109,761	205,258	–	1,391	–	(3,479)	9,855	–	–	–	326,265	113,240	213,025
– Open space/recreational assets	468,548	257,683	210,864	–	4,155	–	(21,605)	54,948	–	–	–	527,651	279,288	248,362
<b>Other assets:</b>														
– Heritage collections	7,105	–	7,105	–	121	–	–	–	–	–	–	7,227	–	7,227
– Library books	10,301	7,243	3,058	–	1,439	–	(1,439)	–	–	–	–	8,240	5,181	3,058
– City art	43,430	8,367	35,063	–	–	–	(493)	4,278	–	–	–	47,708	8,860	38,848
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>12,638,154</b>	<b>1,586,053</b>	<b>11,052,101</b>	<b>39,945</b>	<b>131,688</b>	<b>(6,398)</b>	<b>(101,378)</b>	<b>–</b>	<b>(7,380)</b>	<b>56,474</b>	<b>(8,773)</b>	<b>12,823,897</b>	<b>1,667,619</b>	<b>11,156,278</b>

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

<sup>1</sup> Capital Work in Progress includes \$191.3M for capital construction projects, \$5.4M for Software (Intangibles) projects, \$2.6M for Plant & Asset purchases<sup>2</sup> WIP Transfers consists of completed capital construction projects transferred from Work in Progress into the fixed asset register. Completed projects transferred include:

\$42.9M in capital renewal

\$15.9M in capital upgrade

\$156.0M in new infrastructure and facilities

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 10(a). Infrastructure, property, plant and equipment - Prior year comparative schedule

Asset class	as at 30/6/2017			Asset movements during the period 1 July 2017 to 30 June 2018									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers <sup>2</sup>	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Tfrs from/(to) investment property	Revaluation reserve adjustments (to Asset Reval Rsve) <sup>5</sup>	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>															
Capital work in progress <sup>1</sup>	321,945	–	321,945	38,805	104,291	–	–	(117,067)	(15,020)	–	(2,500)	–	330,454	–	330,454
Plant and equipment	85,109	46,456	38,653	5,353	28	(190)	(11,753)	2,814	–	–	–	–	87,490	52,586	34,904
Office equipment	28,433	21,188	7,245	2,099	–	–	(2,282)	230	(2,691)	–	–	–	22,223	17,622	4,601
Furniture and fittings	63,806	42,076	21,730	776	–	–	(4,398)	9	–	–	–	–	41,338	23,221	18,117
<b>Land:</b>															
– Operational land	1,512,282	–	1,512,282	–	28,362	(275)	–	4,185	(2,254)	(65,046)	(20,309)	(4,380)	1,452,565	–	1,452,565
– Community land	2,683,962	–	2,683,962	–	3,314	(1,021)	–	–	(51,977)	–	–	–	2,634,277	–	2,634,277
– Crown land	3,557,032	–	3,557,032	–	–	–	–	–	35,772	–	–	–	3,592,804	–	3,592,804
– Land under roads (post 30/6/08)	62,052	–	62,052	–	3,893	–	–	–	–	–	–	–	65,944	–	65,944
Other structures – trees	115,505	–	–	–	134	–	–	723	–	–	–	–	116,362	–	116,362
Other structures – poles and lights	102,472	44,499	–	–	566	–	–	3,388	–	–	–	–	106,426	49,766	56,659
Other structures – signs	14,501	–	–	–	151	–	–	2,411	–	–	–	–	17,064	–	17,064
<b>Infrastructure:</b>															
– Buildings – non-specialised	1,631,467	297,378	1,334,089	394	5,829	(3,227)	(27,317)	57,575	(18)	(912)	(4,935)	–	1,671,941	310,461	1,361,480
– Buildings – specialised	43,224	12,176	31,048	10	–	–	(475)	95	–	–	–	–	43,329	12,651	30,679
– Roads, Bridges, Footways, Kerbs	1,595,293	718,677	876,616	269	3,023	(1,079)	(21,514)	17,525	–	–	–	–	1,611,532	736,692	874,840
– Stormwater drainage	304,776	106,593	198,184	–	2,288	–	(3,168)	7,954	–	–	–	–	315,019	109,761	205,258
– Other open space/recreational assets	448,097	238,963	209,134	1	1,248	–	(18,703)	19,167	18	–	–	–	468,548	257,683	210,864
<b>Other assets:</b>															
– Heritage collections	7,031	–	7,031	–	75	–	–	–	–	–	–	–	7,105	–	7,105
– Library books	9,442	6,988	2,454	–	1,870	–	(1,266)	–	–	–	–	–	10,301	7,243	3,058
– City art	42,377	7,918	34,458	63	–	–	(449)	991	–	–	–	–	43,430	8,367	35,063
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>12,628,806</b>	<b>1,542,911</b>	<b>10,897,915</b>	<b>47,768</b>	<b>155,073</b>	<b>(5,792)</b>	<b>(91,325)</b>	<b>–</b>	<b>(36,170)</b>	<b>(65,958)</b>	<b>(27,744)</b>	<b>(4,380)</b>	<b>12,638,154</b>	<b>1,586,053</b>	<b>11,052,101</b>

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

1 Capital Work in Progress includes \$318.4M for capital construction projects, \$9.7M for Software (Intangibles) projects, \$2.3M for Plant & Asset purchases

2 WIP Transfers consists of completed capital construction projects transferred from Work in Progress into the fixed asset register. Completed projects transferred include:  
\$49.9M in capital renewal  
\$30.2M in capital upgrade  
\$36.9M in new infrastructure and facilities

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

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

##### Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value. When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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

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

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

<b>Buildings (by component type):</b>	<b>Years</b>	<b>Infrastructure - Roads</b>	<b>Years</b>
Structure (Short Life)	26 to 148	Roads - upper strata	25 to 100
Structure (Long Life)	50 to 260	Roads - lower strata	300
Sub-Structure (Short Life)	28 to 126	Roads - sub-structure earthworks	Infinite
Sub-Structure (Long Life)	75 to 195	Footways	30 to 100
Roof (Short Life)	26 to 122	Kerb and gutter	80 to 150
Roof (Long Life)	50 to 195	Bridges	100
Fit-Out (Short Life)	17 to 74	Street furniture/fixtures	20 to 50
Fit-Out (Long Life)	50 to 130		
Services - Electrical (Short Life)	30 to 88	<b>Infrastructure - Drainage</b>	
Services - Electrical (Long Life)	75 to 195	Pipes and culverts	100
Services - Fire (Short Life)	10 to 25	Drainage pits and junctions	100
Services - Fire (Long Life)	40 to 52	Water quality infrastructure	10 to 100
Services - Hydraulic (Short Life)	23 to 88		
Services - Hydraulic (Long Life)	75 to 195	<b>Plant &amp; equipment</b>	
Services - Mechanical (Short Life)	10 to 63	Plant & Equipment	3 to 20
Services - Mechanical (Long Life)	80 to 104	Vehicles and road-making equipment	5 to 7
Services - Security (Short Life)	14 to 25	Computer equipment	3 to 5
Services - Lift/Transport (Short Life)	47 to 130	Parking Meters	5 to 7
Services - Lift/Transport (Long Life)	75 to 195	Office Equipment	3 to 5
Services - Floor Coverings (Short Life)	8 to 43	Furniture and Fittings	3 to 10
		<b>Other assets</b>	
<b>Open space and recreational assets</b>		Library resources	3 to 10
Park and open space improvements	8 to 50	City art	20 to 100
Park equipment and structures	10 to 20		

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

## City of Sydney

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

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

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##### **Accounting policy for infrastructure, property, plant and equipment - continued**

###### **Land under roads**

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

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

###### **Crown reserves and third party owned land**

The Community Land class includes assets that are not under the legal ownership of Council (current value \$3,593M). 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.

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.

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 11. Investment property

\$ '000	2019	2018
<b>(a) Investment property at fair value</b>		
<b>Investment property on hand</b>	<b>339,350</b>	<b>344,000</b>
<b>Reconciliation of annual movement:</b>		
Opening balance	344,000	268,165
– Capitalised expenditure – this year	8,773	2,500
– Re-classified as 'held for sale' (effective 30 June 2019)	(71,850)	–
– Net gain/(loss) from fair value adjustments	58,427	48,091
– Transfers from/(to) owner occupied (Note 10)	–	25,244
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>339,350</b>	<b>344,000</b>
<b>(b) Valuation basis</b>		
The basis of valuation of investment property is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.		
The 2019 revaluations were based on independent assessments made by: <i>AON Valuation Services (a division of AON Risk Services Australia Limited)</i> <i>Certifying Valuer: Jeffrey Millar, AAPI</i>		
<b>(c) Contractual obligations at reporting date</b>		
Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.		
<b>(d) Leasing arrangements – Council as lessor</b>		
The investment property are leased to tenants under long-term operating leases with rentals payable monthly.		
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	9,675	20,129
Later than 1 year but less than 5 years	18,360	27,594
Later than 5 years	1,101	–
<b>Total minimum lease payments receivable</b>	<b>29,136</b>	<b>47,723</b>
<b>(e) Investment property income and expenditure – summary</b>		
<b>Rental income from investment property:</b>		
– Minimum lease payments	20,021	19,530
Direct operating expenses on investment property:	(2,796)	(3,806)
<b>Net revenue contribution from investment property</b>	<b>17,225</b>	<b>15,724</b>
plus:		
<b>Fair value movement for year</b>	<b>58,427</b>	<b>48,091</b>
<b>Total income attributable to investment property</b>	<b>75,652</b>	<b>63,815</b>
<b>Accounting policy for investment property</b>		
Investment property, comprising commercial, industrial and residential properties, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.		

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 12. Intangible assets

\$ '000	2019	2018
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
<b>Opening values at 1 July</b>		
Gross book value	22,720	7,700
Accumulated amortisation	(9,022)	(5,009)
<b>Net book value – opening balance</b>	<b>13,698</b>	<b>2,691</b>
<b>Movements for the year</b>		
– Development costs	7,323	15,020
– Amortisation charges	(5,566)	(4,013)
Gross book value	30,043	22,720
Accumulated amortisation	(14,587)	(9,022)
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE <sup>1</sup></b>	<b>15,456</b>	<b>13,698</b>
<b><sup>1</sup> The net book value of intangible assets represent:</b>		
– Software	15,456	13,698
	<b>15,456</b>	<b>13,698</b>

#### Accounting policy for intangible assets

##### IT development and software

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

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

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 13. Payables and borrowings

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Creditors - Goods and services	15,657	–	15,258	–
Accrued expenses:				
– Interest on bonds and deposits	5	–	5	–
– Other expenditure accruals	53,018	–	28,836	–
Performance cash bonds, deposits & retentions	25,973	–	25,695	–
Accrued employee costs	6,327	–	6,231	–
Other	447	–	1,748	–
<b>Total payables</b>	<b>101,427</b>	<b>–</b>	<b>77,774</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	29,645	–	16,322	–
<b>Total income received in advance</b>	<b>29,645</b>	<b>–</b>	<b>16,322</b>	<b>–</b>
<b>Borrowings</b>				
Nil				
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>131,072</b>	<b>–</b>	<b>94,097</b>	<b>–</b>

## (a) Payables and borrowings relating to restricted assets

	2019		2018	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Domestic waste management	2,577	–	2,399	–
Payables and borrowings relating to externally restricted assets	2,577	–	2,399	–
<b>Internally restricted assets</b>				
Performance cash bonds, deposits & retentions	25,973	–	25,695	–
Payables and borrowings relating to internally restricted assets	25,973	–	25,695	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>28,549</b>	<b>–</b>	<b>28,094</b>	<b>–</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>102,522</b>	<b>–</b>	<b>66,002</b>	<b>–</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>131,072</b>	<b>–</b>	<b>94,097</b>	<b>–</b>

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 13. Payables and borrowings (continued)

\$ '000	2019	2018
<b>(b) Current payables and borrowings not anticipated to be settled within the next twelve months</b>		
The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	13,895	13,216
	<b>13,895</b>	<b>13,216</b>
<b>(c) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Credit cards/purchase cards	1,500	1,500
<b>Total financing arrangements</b>	<b>1,500</b>	<b>1,500</b>

**Accounting policy for payables and borrowings**

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

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

**Payables**

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**Borrowings**

Borrowings (where applicable) are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

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.

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 14. Provisions

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	14,473	–	14,043	–
Sick leave	3,563	2,930	4,311	3,453
Long service leave	43,152	3,058	41,068	2,980
Gratuities	–	–	93	4
Public holidays	329	–	329	–
<b>Sub-total – aggregate employee benefits</b>	<b>61,518</b>	<b>5,988</b>	<b>59,843</b>	<b>6,437</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	4,000	–	4,000
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>4,000</b>	<b>–</b>	<b>4,000</b>
<b>Other provisions:</b>				
Self insurance – workers compensation	3,113	11,164	2,527	8,839
Self insurance – public liability	166	1,049	433	225
Superannuation	–	4,113	–	2,607
Other	4,763	–	6,139	–
<b>Sub-total – other provisions</b>	<b>8,042</b>	<b>16,326</b>	<b>9,099</b>	<b>11,671</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>69,561</u></b>	<b><u>26,314</u></b>	<b><u>68,942</u></b>	<b><u>22,108</u></b>

## (a) Provisions relating to restricted assets

	2019		2018	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Nil				
<b>Internally restricted assets</b>				
Self insurance – workers compensation	3,113	11,164	2,527	8,839
Self insurance – public liability	166	1,049	433	225
Provisions relating to internally restricted assets	<u>3,279</u>	<u>12,213</u>	<u>2,960</u>	<u>9,064</u>
<b>Total provisions relating to restricted assets</b>	<b>3,337</b>	<b>12,231</b>	<b>2,960</b>	<b>9,064</b>
<b>Total provisions relating to unrestricted</b>	<b>66,224</b>	<b>14,083</b>	<b>65,982</b>	<b>13,045</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>69,561</u></b>	<b><u>26,314</u></b>	<b><u>68,942</u></b>	<b><u>22,108</u></b>

\$ '000

2019

2018

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

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

Provisions – employees benefits	<u>38,803</u>	<u>39,053</u>
	<b><u>38,803</u></b>	<b><u>39,053</u></b>

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Provisions (continued)

\$ '000

## (c) Description of and movements in provisions

2019	Employee Leave Entitlement provisions					Total
	Annual leave	Sick leave	Long service leave	Gratuities	Public Holidays	
At beginning of year	14,043	7,764	44,048	98	329	66,281
Additional provisions	13,987	375	6,660	–	1	21,023
Amounts used (payments)	(13,556)	(1,838)	(6,557)	(67)	–	(22,017)
Remeasurement effects	–	192	2,059	–	–	2,251
Unused amounts reversed	–	–	–	(31)	–	(31)
<b>Total ELE provisions at 30/06/2019</b>	<b>14,473</b>	<b>6,493</b>	<b>46,210</b>	<b>0</b>	<b>329</b>	<b>67,506</b>

2018	Employee Leave Entitlement provisions					Total
	Annual leave	Sick leave	Long service leave	Gratuities	Public Holidays	
At beginning of year	13,678	8,551	42,771	157	321	65,477
Additional provisions	13,070	1,135	7,547	–	8	21,760
Amounts used (payments)	(12,706)	(1,899)	(6,057)	(59)	–	(20,721)
Remeasurement effects	–	(23)	(212)	–	–	(235)
<b>Total ELE provisions at 30/06/2018</b>	<b>14,043</b>	<b>7,764</b>	<b>44,048</b>	<b>98</b>	<b>329</b>	<b>66,281</b>

2019	Other provisions					Total
	Workers Compensation	Public liability	Super-annuation	Asset remediation	Other	
At beginning of year	11,366	658	2,607	4,000	6,139	24,770
Additional provisions	7,668	557	–	–	239	8,463
Amounts used (payments)	(4,757)	–	–	–	–	(4,757)
Remeasurement effects	–	–	1,506	–	–	1,506
Unused amounts reversed	–	–	–	–	(1,614)	(1,614)
<b>Total other provisions at 30/06/2019</b>	<b>14,277</b>	<b>1,215</b>	<b>4,113</b>	<b>4,000</b>	<b>4,763</b>	<b>28,368</b>

2018	Other provisions					Total
	Workers Compensation	Public liability	Super-annuation	Asset remediation	Other	
At beginning of year	11,491	457	2,561	4,000	7,024	25,532
Additional provisions	3,769	201	47	–	241	4,259
Amounts used (payments)	(3,894)	–	–	–	(1,126)	(5,021)
<b>Total other provisions at 30/06/2018</b>	<b>11,366</b>	<b>658</b>	<b>2,607</b>	<b>4,000</b>	<b>6,139</b>	<b>24,770</b>

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 14. Provisions (continued)

##### **Nature and purpose of non-employee benefit provisions**

###### **Other**

Other provisions represent amounts accrued and payable in respect of State taxes on commercial leases on Crown lands controlled by the City, and includes a provision relating to the judgement in a legal case relating to the classification (for rating purposes) of land under development.

###### **Asset remediation**

Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

###### **Superannuation**

Council records its assets and liabilities in respect of a Pooled Fund comprising closed NSW public sector superannuation schemes. Council's liability (or asset) position at 30 June is advised by the Fund's actuary.

###### **Public liability and Workers Compensation**

Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.

##### **Accounting policy for provisions**

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

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

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

##### **Employee benefits**

###### **Short-term obligations**

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

###### **Other long-term employee benefit obligations**

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

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

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 14. Provisions (continued)

##### **On-costs**

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

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

##### **Provisions for close-down and restoration, and environmental clean-up costs – former depot**

###### **Restoration**

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, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

###### **Rehabilitation**

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 reporting 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 reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

As noted above, the ultimate cost of environmental 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, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

###### **Self-insurance**

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 14. Provisions (continued)

#### Defined Benefit Plans - additional disclosures

##### 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 the method used to determine the rate of contributions and any minimum funding requirements.*

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

The future service 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 member contributions for non-180 Point Members; nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

\* For nil for 180 Point Members, Employers are required to contribute 7% of salaries to the members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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 past service 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 Council 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 2019

## Note 14. Provisions (continued)

## Defined Benefit Plans - additional disclosures (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. Paragraph 34 of AASB 119 therefore applies, within the disclosures herein reflecting the requirements of paragraph 148.

(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 \$3.585M.

(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 2019 is:

<b>Employer reserves only (excluding member accounts and reserves in both assets and liabilities)</b>	<b>\$M</b>	<b>Asset Coverage</b>
Assets	1,798.7	
Past Service Liabilities	1,784.0	100.8%
Vested Benefits	1,792.0	100.4%

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

Investment return	5.75% p.a.
Salary inflation (plus promotional increases)	3.50% p.a.
Increase in CPI	2.50% p.a.

Council's past service contribution requirements are estimated to remain in place to 30 June 2021. However, the Trustee determined in March 2019 that going forward, should the funding on both Vested Benefit and Accrued Benefit funding levels exceed 100% the Fund will look to suspend the request for past service contributions. This is subject to the outcome of each annual funding update.

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 2019

#### Note 14. Provisions (continued)

#### Defined Benefit Plans - additional disclosures (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 4.77% based on the Council's current level of annual past service contributions of \$3.816M against total contributions of \$40.0M. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ending 30 June 2018.

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

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

*Nature of the benefits provided by the fund:*

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

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

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

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

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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##### (a) Nature and purpose of reserves

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

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements in the revaluation of non-current assets.

###### **Other reserves**

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

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

Council made no correction of errors during the current reporting period.

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

##### (c) Changes in accounting policies due to adoption of new accounting standards – not-retrospective

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted **AASB 9 Financial Instruments** for the first time in the current year with a date of initial adoption of 1 July 2018.

As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets (where applicable) to be presented in a separate line item in the income statement. In prior years, this information was presented as part of other expenses.
- AASB 7 *Financial Instruments*: Disclosures requires amended disclosures due to changes arising from AASB 9 (refer below). These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

##### Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

##### Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

##### Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions), where applicable.

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

#### (c) Changes in accounting policies due to adoption of new accounting standards – not-retrospective (continued)

##### Adjustments to the current year figures for the year ended 30 June 2019

	Original Balance 1 July 2018	Impact Increase/ (decrease)	Restated Balance 1 July 2018
<b>Statement of Financial Position</b>			
Current Assets - Investments	258,479	521	259,001
Non-Current Assets - Investments	208,370	(1,560)	206,810
<b>Total assets</b>	<b>12,190,128</b>	<b>(1,039)</b>	<b>12,189,090</b>
<b>Total liabilities</b>	<b>185,147</b>	<b>-</b>	<b>185,147</b>
Accumulated Surplus	3,815,951	(1,039)	3,814,912
<b>Total equity</b>	<b>12,004,981</b>	<b>(1,039)</b>	<b>12,003,942</b>

##### Transition adjustments

The impacts to reserves and retained earnings on adoption of AASB 9 at 1 July 2018 are shown below:

\$ '000	Note	Available for sale investment revaluation reserve	FVOCI reserve	Accumulated surplus	Total
Reclassify investments from 'fair value through profit and loss' to 'amortised cost'	1	-	-	(1,039)	<b>(1,039)</b>
<b>Adjustments to equity as a result of adoption of AASB 9</b>		-	-	<b>(1,039)</b>	<b>(1,039)</b>
<b>Opening equity balances at 1 July 2018 – AASB 9</b>		-	-	<b>3,814,912</b>	<b>3,814,912</b>

1 Council's business model in respect of investments is to hold financial assets to maturity in order to collect contractual cash flows of interest and principal. Additionally, contractual cash flows under Floating Rate Note (FRN) investments are solely payments of principal and interest (SPPI). Accordingly, under AASB 9, Council's FRN investments have been reclassified at 1 July 2018 as 'Amortised Cost'. The adjustment above reflects the reversal of cumulative unrealised gains in fair valuation of FRNs previously held at fair value through Profit & Loss. The change in classification does not represent a change in Council's expected cash flows or returns arising from these investments.

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

## (c) Changes in accounting policies due to adoption of new accounting standards – not-retrospective (continued)

## Transition adjustments

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

Class	Classification under AASB 139	Classification under AASB 9	Carrying amount under AASB 139	Reclassifica- tion	Remeasu- rements	Carrying amount under AASB 9
<b>Financial assets</b>						
Floating Rate Notes <sup>1</sup>	Fair value through P&L	Amortised Cost	231,849	(1,039)	–	230,811
Term Deposits <sup>2</sup>	Held to Maturity	Amortised Cost	235,000	–	–	235,000
Trade Debtors	Loans and receivables	Amortised Cost	9,298	–	–	9,298
<b>Total financial assets (AASB 9) at 1 July 2018</b>			<b>476,148</b>	<b>(1,039)</b>	<b>–</b>	<b>475,109</b>

## Notes to the table above

## 1 Reclassification from Fair Value Through Profit &amp; Loss to Amortised Cost

Floating rate notes (FRNs) previously classified as 'Fair Value Through Profit & Loss' are now classified at 'amortised cost'. Council has reviewed its business model under the definitions of AASB, and classified these investments on the basis that it intends to hold the assets to maturity to collect contractual cash flows. These cash flows consist solely of payments of principal and interest on the principal amount outstanding.

## 2 Reclassification from 'held to maturity' to 'amortised cost'

Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

## (d) Changes in accounting policies due to adoption of new accounting standards – retrospective

Council made no changes in accounting policies due to adoption of retrospectively applicable new accounting standards.

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Statement of cash flows – additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	150,887	136,374
<b>Balance as per the Statement of Cash Flows</b>		<b>150,887</b>	<b>136,374</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>94,521</b>	<b>217,077</b>
Depreciation and amortisation		106,943	100,605
Net losses/(gains) on disposal of assets		(1,909)	(3,876)
Non-cash capital grants and contributions		(21,176)	(31,510)
– Investments classified as 'at fair value' or 'held for trading'		(40)	509
– Investment property		(58,427)	(48,091)
– Financial assets at amortised cost / held to maturity (2018)		(19)	–
Decrease/(increase) in receivables		1,518	(4,875)
Increase/(decrease) in provision for impairment of receivables		2,183	277
Decrease/(increase) in inventories		(44)	273
Decrease/(increase) in other current assets		(2,016)	(753)
Increase/(decrease) in payables		399	(1,124)
Increase/(decrease) in other accrued expenses payable		17,181	2,773
Increase/(decrease) in other liabilities		12,395	11,596
Increase/(decrease) in provision for employee benefits		1,226	804
Increase/(decrease) in other provisions		3,598	(762)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>156,332</b>	<b>242,923</b>
<b>(c) Non-cash investing and financing activities</b>			
Developer contributions 'in kind'		21,176	31,510
<b>Total non-cash investing and financing activities</b>		<b>21,176</b>	<b>31,510</b>

## City of Sydney

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 17. 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.

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Commitments

\$ '000	2019	2018
<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	55,555	94,733
Infrastructure - Roads, Bridges, Footways, Kerb and Gutter	55,155	33,927
Open Space	14,398	9,801
Plant and equipment	3,127	2,769
Public Art	2,796	5,086
Stormwater Drainage	10,669	14,491
Other	11,374	11,374
<b>These expenditures are estimated as payable as follows:</b>		
Within the next year	111,467	122,118
Later than one year and not later than 5 years	37,212	48,767
Later than 5 years	4,396	1,297
<b>Total payable</b>	<b>153,075</b>	<b>172,181</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	153,075	172,181
<b>Total sources of funding</b>	<b>153,075</b>	<b>172,181</b>

**Details of capital commitments**

Capital commitments at balance date comprise purchase orders raised by Council to suppliers for goods/services yet to be delivered at balance date. Subject to fulfilment of contractual obligations by suppliers, Council expects that the committed sums will be paid in accordance with the above timelines and expenditure types.

**(b) Finance lease commitments**

Nil

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Commitments (continued)

\$ '000	2019	2018
<b>(c) Operating lease commitments (non-cancellable): Council as lessee</b>		
<b>i. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>		
Within the next year	1,522	1,428
Later than one year and not later than 5 years	6,245	4,724
Later than 5 years	33,196	29,981
<b>Total non-cancellable operating lease commitments</b>	<b>40,964</b>	<b>36,133</b>

**ii. 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 occupies from RailCorp Property who control that asset. Whilst rent payments are calculated as a percentage of annual income, the commitment recognises the 41 years remaining on the lease, estimated at \$29.2M (incl GST) based on recent trends in income generated by the parking station.

The lease commitments also include duct rental payable to Energy Australia in respect of Smartpoles (currently at \$346K per year) for 30 years. The amount is generally not indexed, but occasionally adjusted. The agreement to 2032 results in an estimated total remaining commitment of \$4.9M (incl GST).

Council entered a lease for library premises, commencing on 28 June 2019, for an initial term of 15 years. The remaining commitment is calculated as \$6.7M (incl GST) at 30 June 2019.

**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.

**(c) Operating lease commitments (non-cancellable): Council as lessor****i. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	29,049	36,388
Later than one year and not later than 5 years	51,246	70,024
Later than 5 years	152,912	168,203
<b>Total non-cancellable operating lease commitments (council as lessor)</b>	<b>233,207</b>	<b>274,615</b>

**(d) Investment property commitments**

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

Contractual obligations – repairs and maintenance	726	1,233
<b>Total commitments</b>	<b>726</b>	<b>1,233</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	726	1,233
<b>Total payable</b>	<b>726</b>	<b>1,233</b>

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 19. Contingencies and other liabilities/assets not recognised

##### 1. Potential benefits to Council

(i) In accordance with the Light Rail Development Agreement between Transport for NSW and Council, completed public domain assets, delivered as part of the CBD to South East Sydney light rail project, will be transferred to Council at a future date. The quantity, nature and value of these assets remain uncertain, as does the expected transfer date/s. Assets will be recognised at fair value at the time of transfer in future accounting period/s.

(ii) Council is pursuing its legal rights to income in relation to the agreed placement of the operational assets of third parties on Council owned property. The amount was not quantifiable at balance date.

##### 2. Contractual disputes/Potential claims

A contractor has issued notices of dispute on two issues in respect of a major construction project. These matters will be resolved in the first instance by an expert, in accordance with the expert determination procedures in the contract.

##### 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, based on actuarial recommendation, the amount of which is detailed in Note 14.

As a self-insurer, Council is required to lodge a bank guarantee with the State Insurance Regulatory Authority (SIRA). At 30 June 2019, bank guarantees of \$12.849M were held by the SIRA, and the Authority is currently reviewing whether any additional assurance is required.

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

##### 4. Infringement Notices/Fines

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

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

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

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 19. Contingencies and other liabilities/assets not recognised (continued)

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

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

Council is 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. Mediation is continuing at 30 June 2019.

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

Council has previously agreed to proceed with a transfer of public assets from NSW Government State Agencies. 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. Further disclosure relating to defined benefits schemes is shown at Note 14.

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

Council levies infrastructure contributions upon various development across the Council area through the requisite Contributions Plans (Section 7.11 and 61) and through Voluntary Planning Agreements (VPAs, Section 7.4).

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 2019

#### Note 19. Contingencies and other liabilities/assets not recognised (continued)

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

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

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

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

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

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

At balance date, bank guarantees were held by Council for seven development sites (totalling \$46.3M). A partial or full claim on the guarantees may be made at a future date, should the respective developers fail to secure the required HFS. Should the HFS be secured, the guarantee/s will be returned and no monetary payment by the developer/s will be required. To date, the City has received payment for five developments where HFS was not secured within the requisite timeframe (\$11.6M claimed from bank guarantees). These funds are held as restricted cash, as detailed at Note 6c.

##### 11. Works related to compulsory acquisition of Council-owned land

Council has issued a notice of dispute in relation to works that have not been completed in accordance with an earlier settlement deed for a compulsory acquisition of Council-owned land. Council will seek to have the works rectified and completed in accordance with the deed.

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Financial risk management

\$ '000

## Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2019	2018	2019	2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	150,887	136,374	150,887	136,374
Receivables	102,797	106,444	102,797	106,444
Investments:				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	472,543	235,000	474,003	235,000
<b>Fair value through profit and loss</b>				
Investments				
– 'Designated at fair value on initial recognition'	–	231,849	–	231,849
<b>Total financial assets</b>	<b>726,227</b>	<b>709,668</b>	<b>727,688</b>	<b>709,668</b>
<b>Financial liabilities</b>				
<b>Measured at amortised cost</b>				
Payables	101,427	77,774	101,427	77,774
<b>Total financial liabilities</b>	<b>101,427</b>	<b>77,774</b>	<b>101,427</b>	<b>77,774</b>

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 – based upon estimated future cash flows discounted by 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.

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 20. Financial risk management (continued)

\$ '000

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

Council's Chief Finance Office manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the instruments 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.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

Council also seeks advice from independent advisers from time to time, when considering certain investment opportunities.

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 10% movement in market values*	–	–	–	–
Possible impact of a 1% movement in interest rates	6,215	6,215	(6,215)	(6,215)
<b>2018</b>				
Possible impact of a 10% movement in market values*	23,085	23,085	(23,085)	(23,085)
Possible impact of a 1% movement in interest rates	6,004	6,004	(6,004)	(6,004)

\* Note: for 2017/18, Council did not hold any financial instruments as "Available for Sale", therefore the impact on equity for any market value or interest rate fluctuations was limited to that recognised through profit and loss.

For 2018/19, all investments are classified as 'Held to Maturity', therefore fluctuations in market value are not expected to have any impact on Net Surplus or Equity.

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 20. 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 main 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 credit risk by monitoring outstanding debt and employing stringent debt recovery procedures.

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

There are no significant concentrations of credit risk, other than Council has significant credit risk exposures in its local area given the nature of the business.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

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

##### Credit risk profile

##### Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 – 2 years overdue	2 – 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	4,476	71	64	63	<b>4,674</b>
<b>2018</b>						
Gross carrying amount	–	3,968	76	66	71	<b>4,181</b>

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Financial risk management (continued)

\$ '000

## Credit risk profile (continued)

## Receivables – non-rates and annual charges

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

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 – 30 days overdue	31 – 60 days overdue	61 – 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	91,099	4,329	945	481	4,882	<b>101,736</b>
Expected loss rate (%)		6.23%	26.12%	27.73%	60.69%	<b>3.55%</b>
<b>ECL provision</b>		<b>270</b>	<b>247</b>	<b>133</b>	<b>2,963</b>	<b>3,613</b>
<b>2018</b>						
Gross carrying amount	95,600	4,684	268	387	2,754	<b>103,693</b>
Expected loss rate (%)		3.94%	12.26%	22.60%	40.83%	<b>1.38%</b>
<b>ECL provision</b>		<b>185</b>	<b>33</b>	<b>88</b>	<b>1,125</b>	<b>1,430</b>

## (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 timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
<b>2019</b>							
Trade/other payables		25,973	75,449	-	-	101,422	<b>101,427</b>
<b>Total financial liabilities</b>		<b>25,973</b>	<b>75,449</b>	<b>-</b>	<b>-</b>	<b>101,422</b>	<b>101,427</b>
<b>2018</b>							
Trade/other payables		25,700	52,074	-	-	77,774	<b>77,774</b>
<b>Total financial liabilities</b>		<b>25,700</b>	<b>52,074</b>	<b>-</b>	<b>-</b>	<b>77,774</b>	<b>77,774</b>

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 21. Material budget variations

\$ '000

Council's original financial budget for 18/19 was adopted by the Council on 24 June 2019 and is not required to be audited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----		
<b>REVENUES</b>					
<b>Interest and investment revenue</b>	<b>14,012</b>	<b>17,495</b>	<b>3,483</b>	25%	<b>F</b>
The favourable result for interest income was attributable to the Council holding higher initial cash balances than anticipated in the budget. Lower than expected capital works and operational expenditure meant that the average cash held across the year was also higher. The overall rate of return was in line with budget expectations and similar to that achieved in 2017/18 at 2.62%. The budget assumed 2.75% return on financial investment.					
<b>Operating grants and contributions</b>	<b>12,839</b>	<b>14,368</b>	<b>1,529</b>	12%	<b>F</b>
Grants and Contributions Income was favourable to budget by \$1.9M mostly due to early payment of the Federal Assistance Grant relating to 2019/20 received in the 2018/19 financial year, offset in part by smaller previous early payment of the 2018/19 instalment that was received in the 2017/18 financial year.					
<b>Capital grants and contributions</b>	<b>82,762</b>	<b>60,167</b>	<b>(22,595)</b>	(27%)	<b>U</b>
Capital contributions were unfavourable to budget primarily due to slower developer rights scheme contributions at Green Square. Development is still proceeding for a number of the major sites as anticipated, however the contributions are not payable until later than a standard development approval, which typically occurs as part of the granting of a development's construction certificate. For a number of developments at Green Square the contribution occurs later in the life of the development when construction of the habitable space portion commences. Strategic Planning and Urban Design advise these approvals are likely to be received next financial year. Contributions toward development in the CBD (known as Section 61 contributions) were favourable to budget.					

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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**EXPENSES**

<b>Materials and contracts</b>	<b>114,077</b>	<b>142,137</b>	<b>(28,060)</b>	(25%)	<b>U</b>
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Council's adopted budget included approximately \$15.5M for waste collection within Other Expenses. Subsequent to the adoption of the budget, the waste collection portion of the budget was separated from the s88 Waste Levy paid to the NSW Government. This allowed the re-classification of the the collection costs to Materials and Contracts with the balance (approx \$4.5M) retained in Other expenses - contributions/levies to other levels of Government. Prior year comparatives were also reclassified. In addition, the overall unfavourable variance in this expense category was impacted by project costs, associated with the delivery of the City's significant capital works program but not adding to the enduring benefit fo the asset, being re-classified as operating expenses. This expenditure is often related to initial options reviews and/or the demolition of assets and was higher than anticipated in the budget. The expenditure was incurred against public domain, roadway and parks works and a number of Information Technology projects.

<b>Other expenses</b>	<b>128,928</b>	<b>100,095</b>	<b>28,833</b>	22%	<b>F</b>
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Refer to Materials and Contracts commentary above. Approximately \$15.5M of expenditure relating to waste collection services was reclassified from Other Expenses relating to Materials and Contracts after the finalisation of Council's 2018/19 budget. This has resulted in a favourable variance. Note that comparative figures were also reclassified. In addition, Council includes operational expenditure contingencies in this cost category. Of the \$4.5M budget \$3.95M was not utilised. Council also anticipated a contribution to an affordable housing project, in the 2018/19 budget, of \$3.0M. The project delivery has now been rescheduled to the 2020/21 financial year resulting in a favourable budget variance for 2018/19.

**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	<b>119,435</b>	<b>156,332</b>	<b>36,898</b>	30.9%	<b>F</b>
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The favourable variance against budget is largely made up of a \$38.6M contribution which was budgeted to be paid during 2018/19 in respect of the CBD and South East Sydney light rail project. Contributions to Transport for NSW for this project are subject to the achievement of project milestones, and the amount is instead expected to be paid during the 2019/20 financial year.

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 22. Discontinued operations

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

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 23. Fair value measurement

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\$ '000

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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

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'

Those assets classified as held for sale at 30 June 2019 represent property sales where a financial offer has been accepted, settlement is expected within the next 12 months. The assets were transferred from the Operational Land and Buildings classes, having been revalued at 30 June 2017 (Level 2 Fair Value), and Investment Properties, revalued at 30 June 2019 (Level 1 Fair Value).

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).

Details of the asset and liability classes measured and recognised by Council at fair value are shown on the following pages.

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Fair value measurement (continued)

\$ '000

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

2019	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>Investment property</b>					
Investment property portfolio	30/06/19	–	339,350	–	339,350
<b>Total investment property</b>		<b>–</b>	<b>339,350</b>	<b>–</b>	<b>339,350</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/18	–	–	38,898	38,898
Office equipment	30/06/18	–	–	6,443	6,443
Furniture and fittings	30/06/18	–	–	18,177	18,177
Operational land	30/06/17	–	1,543,512	–	1,543,512
Community land	30/06/16	–	–	2,635,675	2,635,675
Land under roads (post 30/6/2008)	30/06/17	–	–	75,326	75,326
Open space/Recreational assets	30/06/16	–	–	248,362	248,362
Buildings - non specialised	30/06/17	–	405,073	998,415	1,403,488
Buildings - specialised	30/06/17	–	–	31,292	31,292
Other Structures - trees	30/06/17	–	–	118,719	118,719
Other Structures - signs	30/06/17	–	–	59,337	59,337
Other Structures - poles & lights	30/06/17	–	–	20,026	20,026
Roads, bridges, footpaths, kerbs	30/06/17	–	–	902,735	902,735
Stormwater drainage	30/06/17	–	–	213,025	213,025
Heritage collections	30/06/16	–	–	7,227	7,227
Library books	30/06/16	–	–	3,058	3,058
City art	30/06/16	–	–	38,848	38,848
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>1,948,585</b>	<b>5,415,562</b>	<b>7,364,146</b>
<b>Non-recurring fair value measurements</b>					
<b>Non-current assets classified as 'held for sale'</b>					
Land	30/06/17	–	9,440	–	9,440
Buildings	30/06/17	–	–	44	44
Investment properties	30/06/19	–	71,850	–	71,850
<b>Total NCA's classified as 'held for sale'</b>		<b>–</b>	<b>81,290</b>	<b>44</b>	<b>81,334</b>

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Fair value measurement (continued)

\$ '000

2018 - Prior Year Comparative	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'	30/06/18	-	-	231,849	231,849
<b>Total financial assets</b>		<b>-</b>	<b>-</b>	<b>231,849</b>	<b>231,849</b>
<b>Investment property</b>					
Investment property portfolio	30/06/18	-	344,000	-	344,000
<b>Total investment property</b>		<b>-</b>	<b>344,000</b>	<b>-</b>	<b>344,000</b>
Plant and equipment	30/06/18	-	-	34,904	34,904
Office equipment	30/06/18	-	-	4,601	4,601
Furniture and fittings	30/06/18	-	-	18,117	18,117
Operational land	30/06/17	-	1,452,565	-	1,452,565
Community land	30/06/16	-	-	2,634,277	2,634,277
Land under roads (post 30/6/2008)	30/06/17	-	-	65,944	65,944
Open space/Recreational assets	30/06/16	-	-	210,864	210,864
Buildings - non specialised	30/06/17	-	417,571	943,909	1,361,480
Buildings - specialised	30/06/17	-	-	30,679	30,679
Other Structures - trees	30/06/17	-	-	116,362	116,362
Other Structures - signs	30/06/17	-	-	56,659	56,659
Other Structures - poles & lights	30/06/17	-	-	17,064	17,064
Roads, bridges, footpaths, kerbs	30/06/17	-	-	874,840	874,840
Stormwater drainage	30/06/17	-	-	205,258	205,258
Heritage collections	30/06/16	-	-	7,105	7,105
Library books	30/06/16	-	-	3,058	3,058
City art	30/06/16	-	-	35,063	35,063
<b>Total infrastructure, property, plant and equipment</b>		<b>-</b>	<b>1,870,136</b>	<b>5,258,707</b>	<b>7,128,842</b>
<b>Non-recurring fair value measurements</b>					
<b>Non-current assets classified as 'held for sale'</b>					
Land	30/06/17	-	65,046	-	65,046
Buildings	30/06/17	-	868	44	912
<b>Total NCA's classified as 'held for sale'</b>		<b>-</b>	<b>65,914</b>	<b>44</b>	<b>65,958</b>

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 23. Fair value measurement (continued)

\$ '000

##### (2) Transfers between level 1 and 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 as follows:

##### Financial assets

Commencing 1 July 2018, in accordance with AASB 9, Council holds all investments at amortised cost. For the comparative period, Council received indicative market valuation advice from an independent external investment advisor. These indicative valuations were based upon recent, comparable, market-based evidence.

##### Investment property

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 and equipment (IPP&E)

###### Plant & Equipment, Office Equipment, Furniture & Fittings, Signs, Poles & Lights, Library Resources

The Cost Approach is used for these asset classes, based on depreciated original cost representing fair value. The assets are primarily for operational purposes and are not of a nature where valuation increments are likely. 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.

###### Heritage Collections and City Art

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

###### Roads, Bridges, Footpaths, Stormwater Drainage, Open Space & Recreational Assets, Trees

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

###### Operational Land

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

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 23. Fair value measurement (continued)

\$ '000

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

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

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

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

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

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

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

Key level 3 inputs include:

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

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

##### Asset class : Community Land (Council-owned)

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

##### Asset class : Land Under Roads (post 30/06/2008)

Council utilises the 'englobo' valuation methodology for Land Under Roads, as allowable under the Office of Local Government Code of Accounting Practice and Financial Reporting. The approach utilises the average land valuation rate from the NSW Valuer-General for the Local Government Area, and applies a 90% 'discount' to reflect the 'restrictions' inherent to land under roads (in particular, the difficulty associated with sale or transfer).

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

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

#### Non-current assets classified as 'held for sale'

The assets classified as 'held for sale' at 30 June 2019 were transferred from the Buildings - Non-specialised, Operational Land and Investment Property classes. Valuation techniques are consistent with those described above in relation to those classes.

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 23. Fair value measurement (continued)

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\$ '000

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

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

##### **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.

##### **Land Under Roads**

Land holdings under the Land Under Roads asset class comprise parcels of land acquired by (or dedicated to) Council after 30 June 2008. The englobo methodology applied to valuations is intended to reflect the inherent restriction inherent on land that is used for the purpose of roads. The continued use of this land for the purposes of road, footpath, cycleway and stormwater drainage (as applicable) is considered to be 'highest and best use'.

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 24. Related party transactions

\$ '000	2019	2018
<b>a. Key management personnel</b>		
Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.		
The aggregate amount of KMP compensation included in the Income Statement		
<b>Compensation:</b>		
Short-term benefits	3,935	3,928
Post-employment benefits	382	370
<b>Total</b>	<b>4,317</b>	<b>4,299</b>

\* Prior year comparatives have been re-stated on a consistent basis with the 2018/19 compensation amounts above. This involved the re-classification of amounts previously included in Post-employment benefits into Short-term benefits, and the exclusion of some minor Councillor expense amounts that did not constitute compensation.

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

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

## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 25. Events occurring after the reporting date

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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 2019

## Note 26. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,309	586	–	–	–	(586)	1,309	24,847
Traffic and transport	23,854	1,730	–	596	(4,278)	–	21,902	–
Open space	51,807	7,782	–	1,299	(12,419)	(721)	47,749	(42,107)
Community facilities	–	1,576	–	–	(2,883)	1,307	0	17,260
<b>S7.11 contributions – under a plan</b>	<b>76,971</b>	<b>11,675</b>	<b>–</b>	<b>1,895</b>	<b>(19,580)</b>	<b>–</b>	<b>70,961</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>76,971</b>	<b>11,675</b>	<b>–</b>	<b>1,895</b>	<b>(19,580)</b>	<b>–</b>	<b>70,961</b>	<b>–</b>
S7.4 planning agreements	83,509	5,580	14,461	866	(33,908)	–	70,508	–
S61 contributions	–	19,628	–	–	(19,628)	–	–	–
<b>Total contributions</b>	<b>160,480</b>	<b>36,883</b>	<b>14,461</b>	<b>2,761</b>	<b>(73,116)</b>	<b>–</b>	<b>141,468</b>	<b>–</b>
<b>Cash Contribution Movement</b>	<b>99,667</b>	<b>34,567</b>	<b>–</b>	<b>2,761</b>	<b>(45,300)</b>	<b>–</b>	<b>91,694</b>	<b>–</b>
Section 7.11 (all plans)	65,879	11,675	–	1,895	(19,580)	–	59,869	–
Section 7.4 Planning Agreements (VPAs, FSR)	33,787	3,264	–	866	(6,092)	–	31,825	–
Section 61 Contributions	–	19,628	–	–	(19,628)	–	–	–
<b>Contributions Receivable Movement</b>	<b>60,813</b>	<b>2,317</b>	<b>14,461</b>	<b>–</b>	<b>(27,816)</b>	<b>–</b>	<b>49,774</b>	<b>–</b>
Section 7.11 (all plans)	11,092	–	–	–	–	–	11,092	–
Section 7.4 Planning Agreements (VPAs, FSR)	49,721	2,317	14,461	–	(27,816)	–	38,683	–
<b>Total Contributions</b>	<b>160,480</b>	<b>36,883</b>	<b>14,461</b>	<b>2,761</b>	<b>(73,116)</b>	<b>–</b>	<b>141,468</b>	<b>–</b>

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 26. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## CITY OF SYDNEY DEVELOPER CONTRIBUTIONS PLAN 2015

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,309	586	–		–	(586)	1,309	24,847
Traffic and transport	23,854	1,730	–	596	(4,278)	–	21,902	–
Open space	51,807	7,782	–	1,299	(12,419)	(721)	47,749	(42,107)
Community facilities	–	1,576	–	–	(2,883)	1,307	–	17,260
<b>Total</b>	<b>76,971</b>	<b>11,675</b>	<b>–</b>	<b>1,895</b>	<b>(19,580)</b>	<b>–</b>	<b>70,961</b>	<b>–</b>

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## City of Sydney

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 27. Financial result and financial position by fund

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Council utilises only a general fund for its operations.

## City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 28(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	Prior periods 2017	Benchmark
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio (excluding non-recurrent capital expenditure from Operating Expenses)</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses <sup>(5)</sup>	<u>37,578</u>	<b>6.01%</b>	5.68%	2.69%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>625,718</u>				
<b>1a. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>(26,022)</u>	<b>-4.16%</b>	5.68%	-5.75%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>625,718</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>610,985</u>	<b>89.08%</b>	79.08%	79.71%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>685,885</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>458,065</u>	<b>3.15x</b>	4.06x	2.68x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3,4)</sup>	<u>145,300</u>				
<b>3a. Unrestricted current ratio (less Internal and External Restrictions)</b>					
Current assets less all external & internal restrictions <sup>(2)</sup>	<u>306,403</u>	<b>2.64x</b>	3.43x	2.02x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3,4)</sup>	<u>116,048</u>				

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

<sup>(2)</sup> Refer Notes 6-8 inclusive.  
Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

<sup>(3)</sup> Refer to Notes 13 and 14.

<sup>(4)</sup> Refer to Note 13(b) and 14(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. Employee Leave Entitlements).

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

## City of Sydney

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 28(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Indicator 2018	Benchmark
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>80,921</u>	<b>0.00x</b>	0.00x	0.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>-</u>			> 2x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>4,674</u>	<b>1.30%</b>	1.32%	1.23%
Rates, annual and extra charges collectible	<u>359,148</u>			5%
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>409,887</u>	<b>8.51 mths</b>	9.2 mths	6.5 mths
Monthly payments from cash flow of operating and financing activities	<u>48,149</u>			> 3 mths

## Notes

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

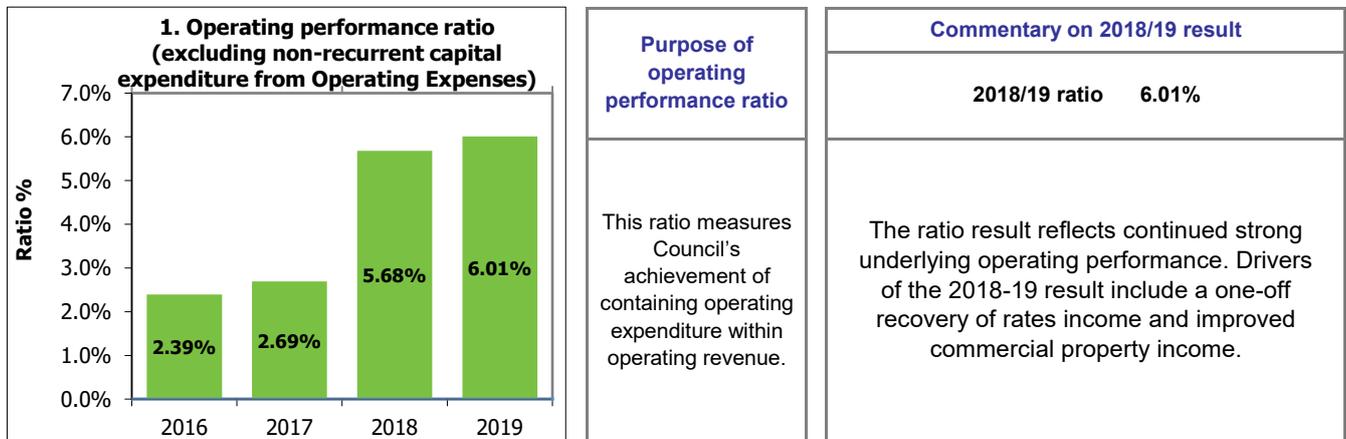
**END OF AUDITED FINANCIAL STATEMENTS**

*(Additional (non-audited) disclosure included at Note 28b)*

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 28(b). Statement of performance measures – consolidated results (graphs)

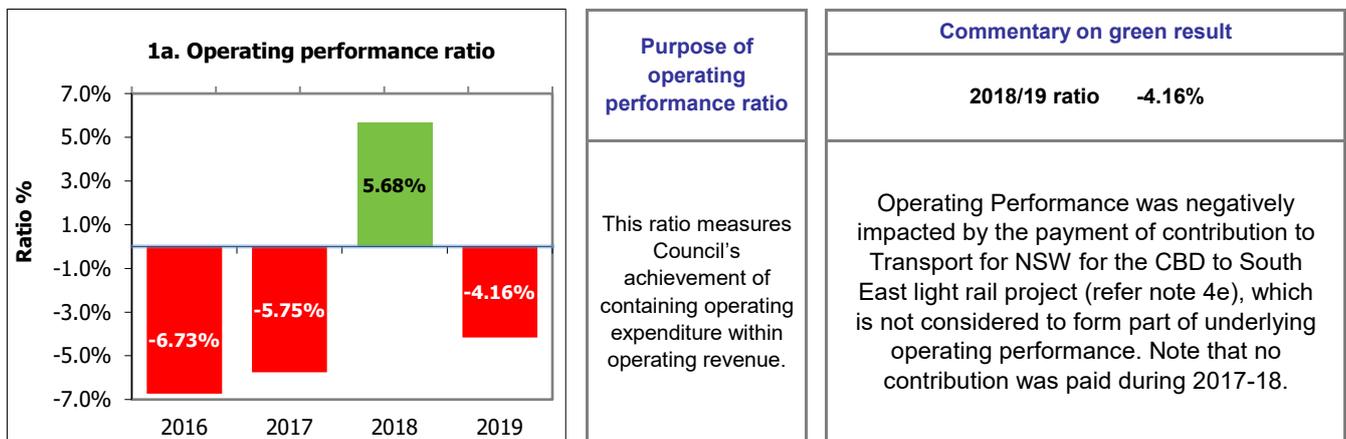
The charts presented below graphically present Council's performance measure results over time. Whilst this additional disclosure is not subject to audit, the results presented reflect audited ratio calculations (refer Note 28a).



Benchmark: — Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #27

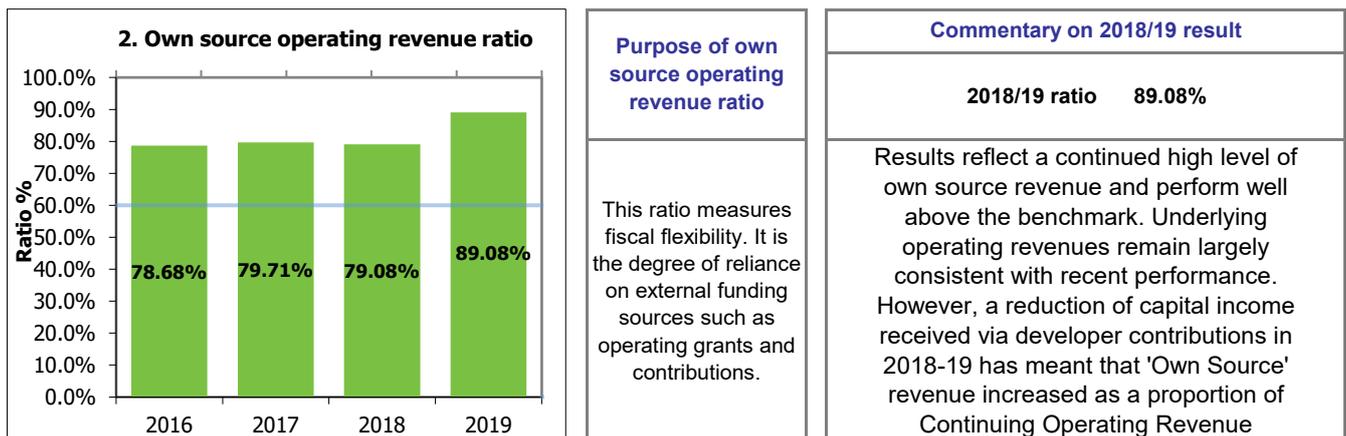
Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Minimum >=60.00%

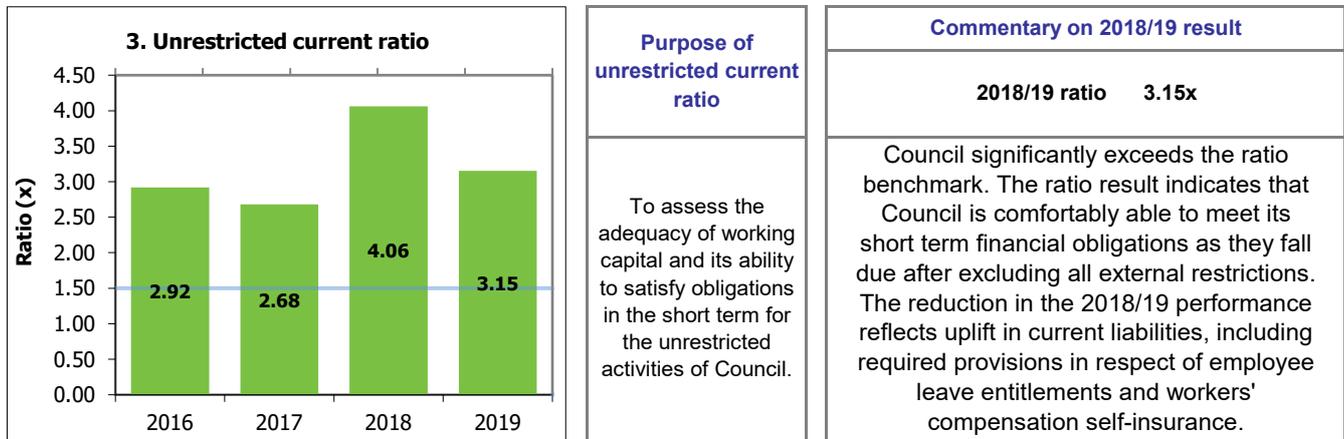
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark  
Ratio is outside benchmark

City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2019

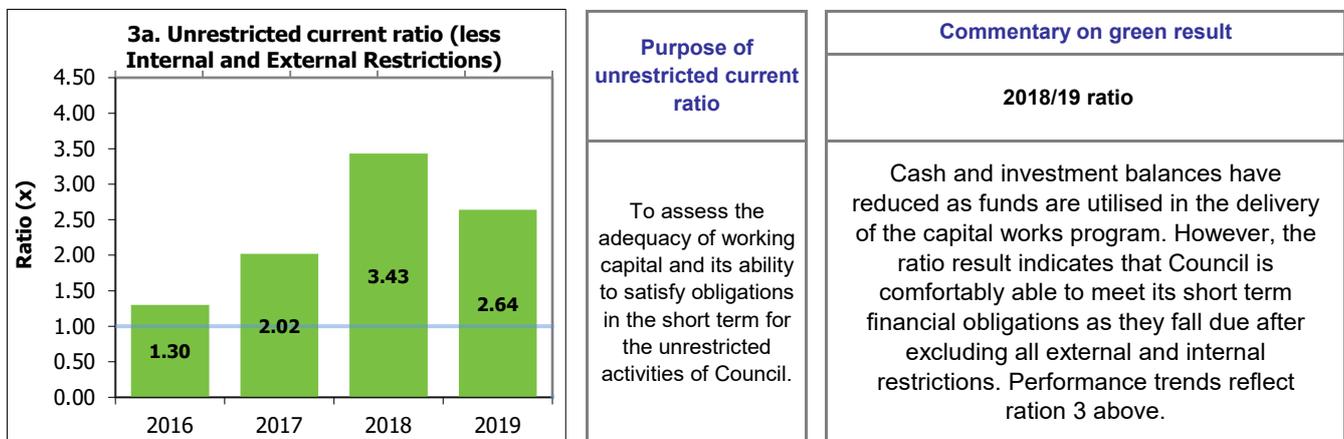
Note 28(b). Statement of performance measures – consolidated results (graphs)



Benchmark: ——— Minimum >=1.50

Source for benchmark: Code of Accounting Practice and Financial Reporting #27

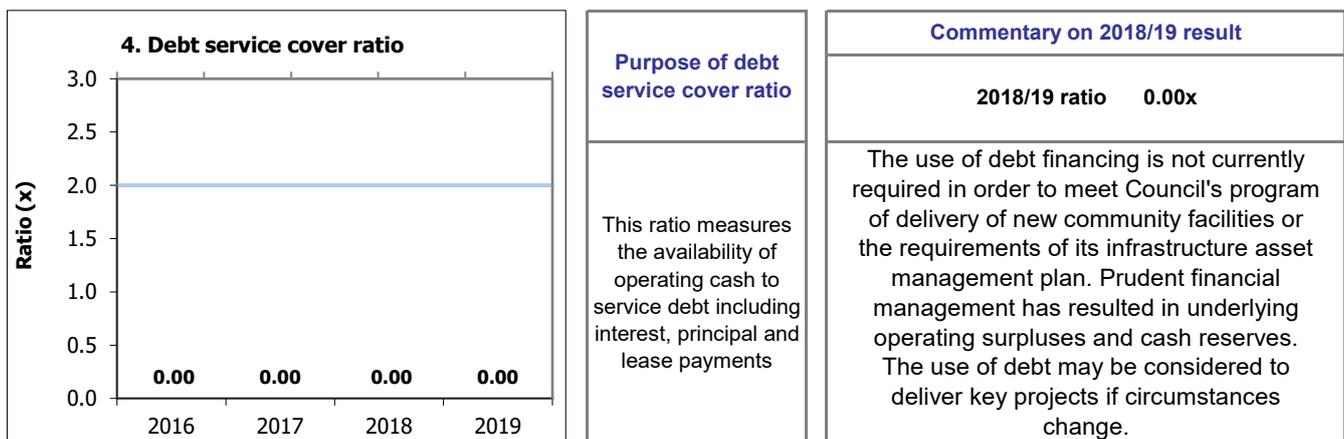
■ Ratio achieves benchmark  
■ Ratio is outside benchmark



Benchmark: ——— Minimum >=1.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #27

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



Benchmark: ——— Minimum >=2.00

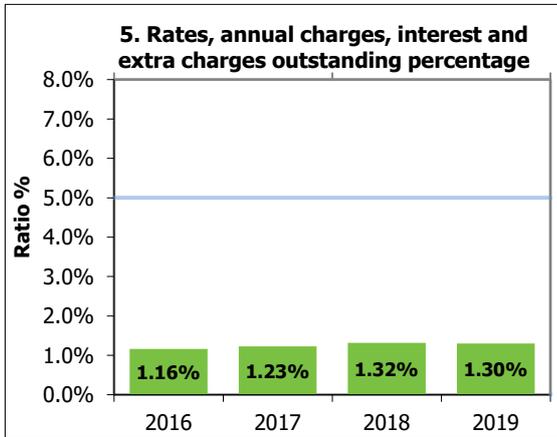
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

City of Sydney

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 28(b). Statement of performance measures – consolidated results (graphs)



**Purpose of rates and annual charges outstanding ratio**

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

**Commentary on 2018/19 result**

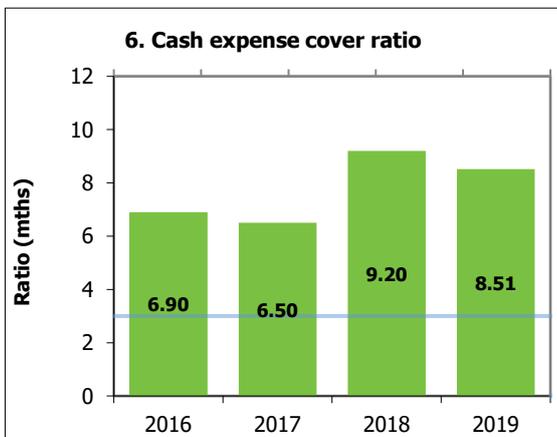
**2018/19 ratio 1.30%**

The ratio remains on trend, and well below the maximum OLG benchmark of 5% for metropolitan councils.

Benchmark: ——— Maximum <5.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #27

■ Ratio is within Benchmark  
■ Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2018/19 result**

**2018/19 ratio 8.51 mths**

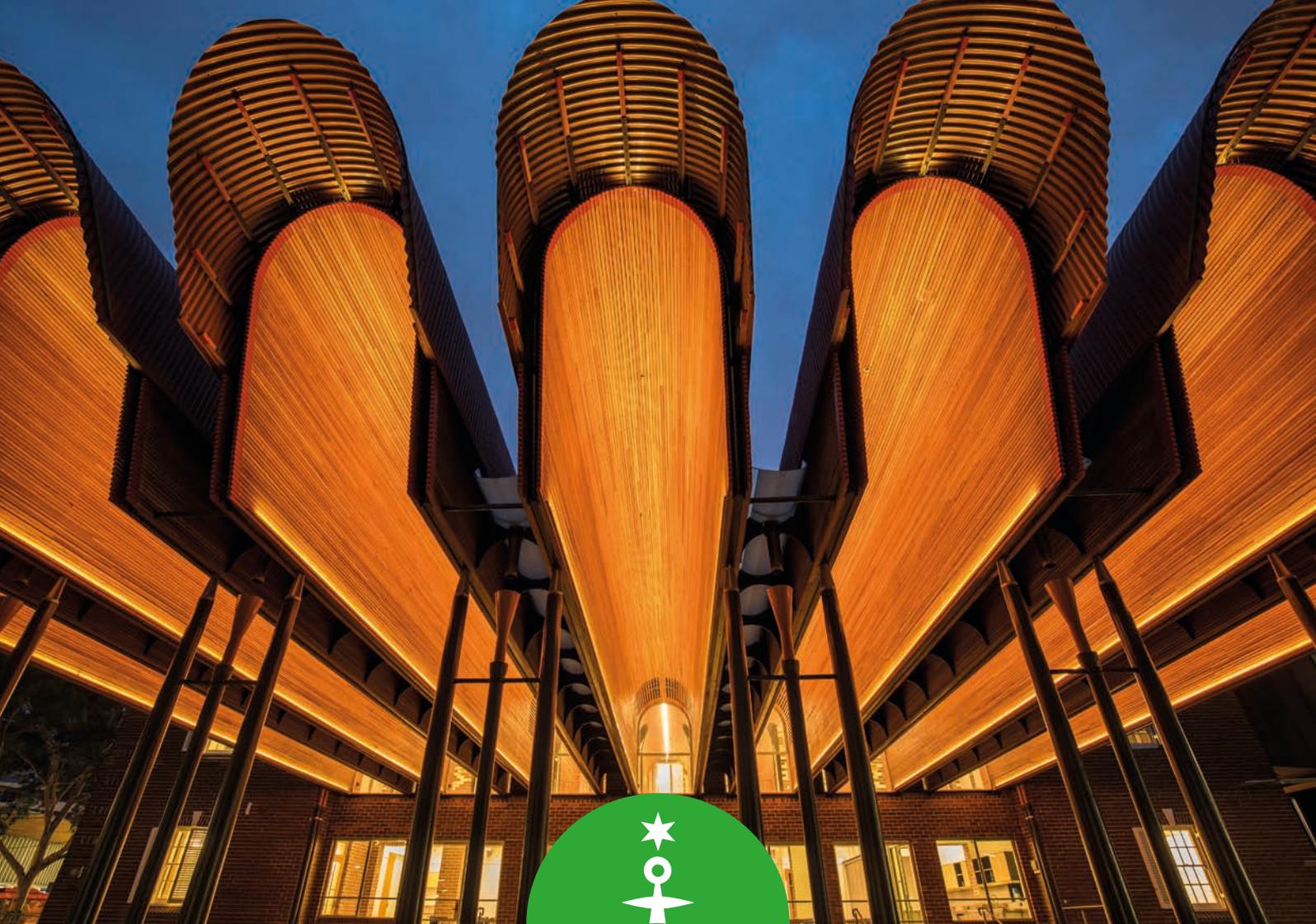
As forecast in Council's Long Term Financial Plan, the delivery of major projects over the next 5 years is expected to reduce cash and investment balances. In the interim, delays to payment of contributions to the NSW Government's light rail project, lower than anticipated capital works expenditure and strong operating results have delivered higher than anticipated cash balances.

Benchmark: ——— Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #27

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

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# Special Purpose Financial Statements

2018/19

## City of Sydney

### Special Purpose Financial Statements

for the year ended 30 June 2019

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<b>Special Purpose Financial Statements:</b>	
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Statement of Financial Position – Other Business Activities	SP4
<b>Note 1 – Significant accounting policies</b>	SP5
<b>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 2019

### 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.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

**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 28 October 2019.**

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Clover Moore  
**Mayor**  
 28 October 2019

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**Councillor**  
 28 October 2019

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Monica Barone  
**General manager**  
 28 October 2019

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Bill Carter  
**Responsible accounting officer**  
 28 October 2019

## City of Sydney

Income Statement of Council's Business Activities  
for the year ended 30 June 2019Parking Stations  
Management  
Category 1

\$ '000	2019	2018
<b>Income from continuing operations</b>		
User charges	9,836	10,025
<b>Total income from continuing operations</b>	<b>9,836</b>	<b>10,025</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	173	139
Materials and contracts	1,554	1,591
Depreciation, amortisation and impairment	902	902
Calculated taxation equivalents	95	86
Other expenses	1,690	1,681
<b>Total expenses from continuing operations</b>	<b>4,414</b>	<b>4,399</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>5,422</b>	<b>5,627</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,491)	(1,547)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,931</b>	<b>4,079</b>
<b>Plus accumulated surplus</b>	86,868	81,156
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	95	86
– Corporate taxation equivalent	1,491	1,547
<b>Closing accumulated surplus</b>	<b>92,386</b>	<b>86,868</b>
<b>Return on capital %</b>	<b>5.7%</b>	<b>5.9%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>

## City of Sydney

## Statement of Financial Position – Council's Business Activities

as at 30 June 2019

**Parking Stations  
Management  
Category 1**

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	193	95
<b>Total current assets</b>	<b>193</b>	<b>95</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	94,999	95,901
Inter-entity debtor	80,616	74,284
<b>Total non-current assets</b>	<b>175,615</b>	<b>170,185</b>
<b>TOTAL ASSETS</b>	<b>175,808</b>	<b>170,280</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	747	752
Provisions	58	47
<b>Total current liabilities</b>	<b>805</b>	<b>799</b>
<b>Non-current liabilities</b>		
Provisions	19	14
<b>Total non-current liabilities</b>	<b>19</b>	<b>14</b>
<b>TOTAL LIABILITIES</b>	<b>824</b>	<b>813</b>
<b>NET ASSETS</b>	<b>174,984</b>	<b>169,467</b>
<b>EQUITY</b>		
Accumulated surplus	92,386	86,868
Revaluation reserves	82,598	82,598
Council equity interest	174,984	169,467
<b>TOTAL EQUITY</b>	<b>174,984</b>	<b>169,467</b>

## City of Sydney

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

#### Note 1. Significant accounting policies

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

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

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

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

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

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

#### National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

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

##### Category 1

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

**Parking Stations** - Operation of the Goulburn Street and Kings Cross Parking Stations

## City of Sydney

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

#### Note 1. Significant accounting policies (continued)

##### Monetary amounts

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

##### (i) Taxation-equivalent charges

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

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

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

##### Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

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

##### Income tax

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

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

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

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date.

##### Local government rates and charges

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

## City of Sydney

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

#### Note 1. Significant accounting policies (continued)

##### Loan and debt guarantee fees

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

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

##### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.38% at 30 June 2019.

##### (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 SPECIAL PURPOSE FINANCIAL STATEMENTS**



# Special Schedules

2018/19



# City of Sydney

## Special Schedules

for the year ended 30 June 2019

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**Report on Infrastructure Assets**

Report on Infrastructure Assets as at 30 June 2019

SS2

Infrastructure asset performance indicators (consolidated)

SS4

Infrastructure asset performance indicators (graphs)

SS5

## City of Sydney

Permissible income for general rates  
for the year ended 30 June 2020

\$'000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	304,302	271,183
Plus or minus adjustments <sup>(2)</sup>	b	3,495	3,026
<b>Notional general income for the previous year</b>	c = (a + b)	<b>307,797</b>	<b>274,208</b>
<b>Permissible income calculation</b>			
Rate peg percentage	d	2.70%	2.30%
<b>Plus rate peg amount</b>	e = c x d	<b>8,311</b>	<b>6,307</b>
<b>Sub-total</b>	f = (c + e)	<b>316,108</b>	<b>280,515</b>
<b>Plus (or minus) last year's result</b>	g	–	11,730
<b>Less one-off shortfall catch-up claimed in the previous year</b>	h	(11,730)	–
<b>Less unrecovered amounts claimed in the previous year</b>	i	(326)	–
<b>Sub-total</b>	j = f + g + h + i	<b>304,052</b>	<b>292,245</b>
<b>Plus one-off catch-up of previous years' shortfall (4)</b>	k	–	<b>11,730</b>
<b>Plus catch-up of unrecovered amounts (5)</b>	l	1,013	326
<b>Maximum General Income Permissible</b>	m = j + k + l	<b>305,065</b>	<b>304,302</b>
<b>Less notional general income yield</b>	n	<b>305,065</b>	<b>304,302</b>
<b>Catch-up or (excess) result <sup>(7)</sup></b>	o = m - n	<b>–</b>	<b>–</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. Adjustments include 'supplementary valuations' as defined in the *Valuation of Land Act 1916* and estimate valuation changes, as allowed under s509(2)(b) and s509(2)(c) of the *Local Government Act 1993*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) The catch-up of a previous year shortfall in general income is allowed under section 511 of the *Local Government Act, 1993*.
- (5) Councils can claim the value of the permissible income unable to be recovered or retained due to reductions in valuations issued by the Valuer-General, as allowed under section 511A of the *Local Government Act 1993*.
- (6) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (7) Excess results require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.

## City of Sydney

## Report on Infrastructure Assets as at 30 June 2019

\$'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>	2018/19 Required maintenance <sup>c</sup>	2018/19 Actual maintenance <sup>c</sup>	Net carrying amount <sup>d</sup>	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings – non-specialised	21,459	24,523	30,521	28,838	1,403,488	1,741,348	9%	50%	39%	2%	1%
	Buildings – specialised	9,562	10,510	1,435	1,325	31,292	44,422	0%	37%	28%	1%	34% <sup>f</sup>
	<b>Sub-total</b>	<b>31,021</b>	<b>35,033</b>	<b>31,957</b>	<b>30,163</b>	<b>1,434,780</b>	<b>1,785,770</b>	<b>8.4%</b>	<b>49.2%</b>	<b>38.6%</b>	<b>2.3%</b>	<b>1.5%</b>
<b>Roads</b>	Sealed roads - Surface	1,956	468	1,984	3,422	137,064	198,361	31%	55%	11%	2%	0%
	Sealed roads - Structure	196	196	309	166	410,677	463,337	40%	42%	15%	2%	1%
	Bridges	1,222	736	391	138	40,384	88,945	5%	28%	61%	6%	0%
	Footpaths	11,933	6,319	5,504	4,463	224,051	550,364	7%	29%	45%	18%	1%
	Kerb and gutter	312	239	1,251	1,174	76,659	312,725	1%	9%	89%	0%	0%
	Other road assets <sup>e</sup>	251	251	796	758	13,900	43,545	9%	35%	53%	3%	0%
	<b>Sub-total</b>	<b>15,870</b>	<b>8,209</b>	<b>10,234</b>	<b>10,121</b>	<b>902,735</b>	<b>1,657,277</b>	<b>18.0%</b>	<b>32.1%</b>	<b>42.0%</b>	<b>7.3%</b>	<b>0.7%</b>
<b>Stormwater drainage</b>	Stormwater drainage	3,000	3,000	2,686	3,400	213,025	326,265	23%	45%	24%	6%	2%
	<b>Sub-total</b>	<b>3,000</b>	<b>3,000</b>	<b>2,686</b>	<b>3,400</b>	<b>213,025</b>	<b>326,265</b>	<b>23.0%</b>	<b>45.5%</b>	<b>24.0%</b>	<b>5.9%</b>	<b>1.5%</b>
<b>Open space/recreational assets</b>	Open Space Assets	5,604	10,157	15,416	16,565	248,362	527,651	14%	35%	46%	4%	0%
	<b>Sub-total</b>	<b>5,604</b>	<b>10,157</b>	<b>15,416</b>	<b>16,565</b>	<b>248,362</b>	<b>527,651</b>	<b>14.1%</b>	<b>35.2%</b>	<b>46.4%</b>	<b>4.3%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>55,495</b>	<b>56,399</b>	<b>60,292</b>	<b>60,249</b>	<b>2,798,902</b>	<b>4,296,962</b>	<b>13.9%</b>	<b>40.6%</b>	<b>39.8%</b>	<b>4.7%</b>	<b>1.0%</b>

## City of Sydney

## Report on Infrastructure Assets as at 30 June 2019

## 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 '3' or better. These cost (and asset condition) assessments remain highly subjective, as in previous years
- b **Estimated Cost to Bring to the Agreed Level of Service Set by Council** reflects the estimated cost to restore all assets assessed to be at a condition beneath Council's minimum service levels. These standards (i.e. target conditions) are detailed in Council's Asset Management Strategy, and reflect the strategy of maximising the consumption of assets' service potential before renewal works are undertaken.
- c Maintenance costs, per Office of Local Government Requirements, include both maintenance and (appropriate) operational costs  
*Required* maintenance reflects amounts identified within Asset Management Plans for the respective classes, and equivalent expenditure types are included within the 'Actual' column
- d Carrying Value reflects the asset value by class, per Note 10 of the General Purpose Financial Statements.
- e 'Other' infrastructure includes street furniture and street fixtures (e.g. traffic islands)
- f The proportion of Specialised Buildings assessed as condition 5 is distorted by the inclusion of the Sydney Park Brick Kilns, assessed to be in a "poor" condition. This asset represents a disproportionate share of the small 'Specialised Buildings' class.

**Infrastructure asset condition assessment 'key'**

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

## City of Sydney

Report on Infrastructure Assets (continued)  
for the year ended 30 June 2019

	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio<sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<u>43,290</u>	<b>57.28%</b>	61.47%	62.59%	>= 100%
Depreciation, amortisation and impairment	<u>75,574</u>				
<b>1a. Buildings and infrastructure renewals ratio (alternate)<sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<u>43,290</u>	<b>64.46%</b>	67.39%	88.47%	>= 100%
Required asset renewal (per adopted asset management strategy)	<u>67,157</u>				
<b>2. Infrastructure backlog ratio<sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<u>55,495</u>	<b>1.98%</b>	2.05%	3.55%	< 2.00%
Net carrying amount of infrastructure assets	<u>2,798,902</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>60,249</u>	<b>99.93%</b>	98.26%	100.14%	> 100%
Required asset maintenance	<u>60,292</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>56,399</u>	<b>1.31%</b>	1.54%	1.31%	< 2.00%
Gross replacement cost	<u>4,296,962</u>				

## Notes

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

(1) Excludes Work In Progress (WIP)

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

# City of Sydney

## Report on Infrastructure Assets (continued) for the year ended 30 June 2019

1. Buildings and infrastructure renewals ratio	Purpose of asset renewals ratio	Commentary on 2018/19 result
<p><b>1. Buildings and infrastructure renewals ratio</b></p> <p>Ratio %</p> <p>2017: 62.59%</p> <p>2018: 61.47%</p> <p>2019: 57.28%</p>	<p><b>Purpose of asset renewals ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on 2018/19 result</b></p> <p><b>2018/19 Ratio 57.28%</b></p> <p>Delivery of renewal projects progressed more slowly than budgeted. The impact of major urban renewal projects on delivery capacity has also reflected negatively on performance.</p>

Benchmark: Minimum >=100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark  
 Ratio is outside benchmark

1a. Buildings and infrastructure renewals ratio (alternate)	Purpose of asset renewals ratio	Commentary on result
<p><b>1a. Buildings and infrastructure renewals ratio (alternate)</b></p> <p>Ratio %</p> <p>2017: 88.47%</p> <p>2018: 67.39%</p> <p>2019: 64.46%</p>	<p><b>Purpose of asset renewals ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on result</b></p> <p><b>2018/19 Ratio 0.00%</b></p> <p>Required renewal reflects projections included in the Asset Management Plan (part of the Resourcing Strategy). Delivery of renewal projects progressed more slowly than anticipated. The impact of major urban renewal projects on delivery capacity has also reflected negatively on performance.</p>

Benchmark: Minimum >=100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

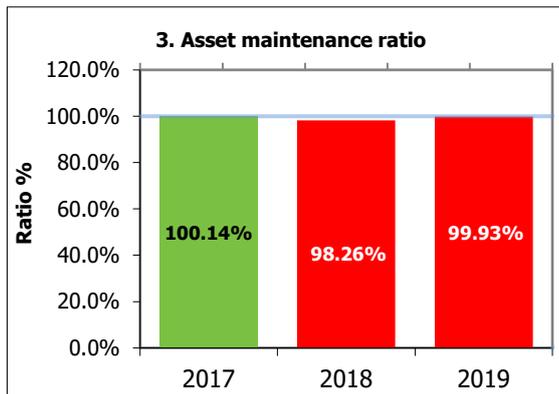
Ratio achieves benchmark  
 Ratio is outside benchmark

2. Infrastructure backlog ratio	Purpose of infrastructure backlog ratio	Commentary on 2018/19 result
<p><b>2. Infrastructure backlog ratio</b></p> <p>Ratio %</p> <p>2017: 3.55%</p> <p>2018: 2.05%</p> <p>2019: 1.98%</p>	<p><b>Purpose of infrastructure backlog ratio</b></p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p><b>Commentary on 2018/19 result</b></p> <p><b>2018/19 Ratio 1.98%</b></p> <p>The marginal improvement in this ratio is largely a result of updated (favourable) asset condition assessments. Efforts to improve asset condition data are ongoing. Effective utilisation of asset service potential remains a priority.</p>

Benchmark: Maximum <2.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark  
 Ratio is outside benchmark

Report on Infrastructure Assets (continued)  
for the year ended 30 June 2019



**Purpose of asset maintenance ratio**

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

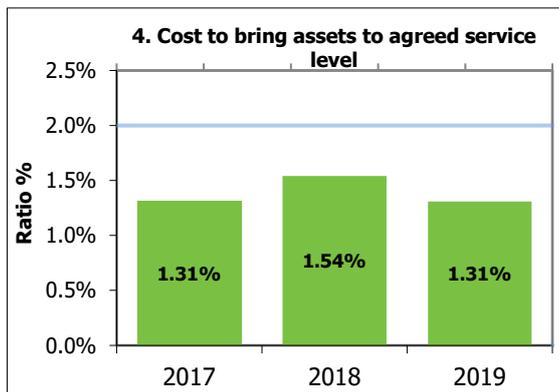
**Commentary on 2018/19 result**

**2018/19 Ratio 99.93%**

Council's performance ratio result effectively meets benchmark. A ratio significantly in excess of 100% would represent potential overservicing of assets. "Required" maintenance totals are subject to ongoing refinement as part of asset management planning. Maintenance cycles vary, from time to time, as asset condition assessments are undertaken.

Benchmark: ——— Minimum >100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of agreed service level ratio**

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

**Commentary on 2018/19 result**

**2018/19 Ratio 1.31%**

Council has continued to meet the benchmark for this ratio, which was introduced from 2015-16. This ratio is considered to be more reflective of Council's infrastructure 'backlog', particularly due to the use of gross replacement cost in calculation.

Benchmark: ——— Maximum <2.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

# **Attachment B**

**Draft Auditor's Report on the 2018/19  
Financial Statements**

Clover Moore  
Lord Mayor  
The Council of the City of Sydney  
Town Hall House  
Level 2, 456 Kent Street  
SYDNEY NSW 2000

Contact: Margaret Crawford  
Phone no: 02 9275 7101  
Our ref: D1922208/1791

October 2019

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2019  
The Council of the City of Sydney**

I have audited the general purpose financial statements (GPFS) of The Council of the City of Sydney (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I will express an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS to be issued under section 417(2) of the Act.

**INCOME STATEMENT**

Operating result	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	354.8	311.9	↑ 13.8
Grants and contributions revenue	74.5	147.4	↓ 49.5
Operating result for the year	94.5	217.1	↓ 56.5
Net operating result before Capital Grants and Contributions income	34.3	84.0	↓ 59.2

Rates and annual charges revenue (\$354.8 million) increased by \$42.9 million (13.8 per cent) in 2018–2019. Council applied the annual rate peg increase of 2.3 per cent from 1 July 2018. A one-off catch up of \$11.7 million in rates revenue was recovered in 2018–19 following a rates claim matter where the NSW Court of Appeal allowed land to be categorised as commercial for rating purposes, as opposed to residential.

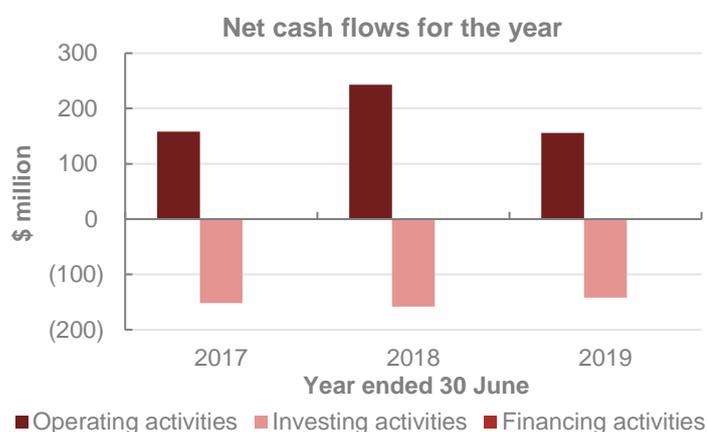
Grants and contributions revenue (\$74.5 million) decreased by \$72.9 million (49.5 per cent) in 2018–19 due to lower development activities in 2018–19 as compared to 2017–18 where a number of significant developments occurred. A reduction in contributions received from Green Square Town Development also contributed to the decrease in grants and contributions revenue.

Council’s operating result (\$94.5 million including the effect of depreciation and amortisation expense of \$106.9 million) was \$122.6 million lower than 2017–18 result. The decline in operating result was mainly due to a \$63.6 million payment to Transport for NSW towards the light rail contribution that was budgeted for in the prior year and did not occur. There was also a reduction of capital grants and contributions in 2018–19.

The net operating result before capital grants and contributions (\$34.3 million) was \$49.7 million lower than the 2017–18 result.

## STATEMENT OF CASH FLOWS

Operating cashflows are significantly lower due to payment of \$63.6 million light rail contribution in 2018–19. Cashflows from investing activities slightly decreased due to lower purchase of infrastructure property plant in 2018–19.



## FINANCIAL POSITION

### Cash and investments

Cash assets, cash equivalents and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	118.3	126.7	<ul style="list-style-type: none"> <li>Externally restricted balances include cash reserves earmarked for specific purposes such as developer contributions and domestic waste management charges.</li> <li>Balances are internally restricted due to Council policy or decisions for forward plans including works program. This includes cash and investments held for the city centre transformation set aside to meet future contributions to the State Government in respect of the George Street transformation. Decrease in internal restrictions of \$57.3 million primarily due to the Transport for NSW payment of \$63.6 million.</li> <li>Unrestricted balances provide liquidity for day -to -day operations.</li> </ul>
Internal restrictions	252.3	309.6	
Unrestricted	252.8	16.9	
<b>Cash and investments</b>	<b>623.4</b>	<b>603.2</b>	

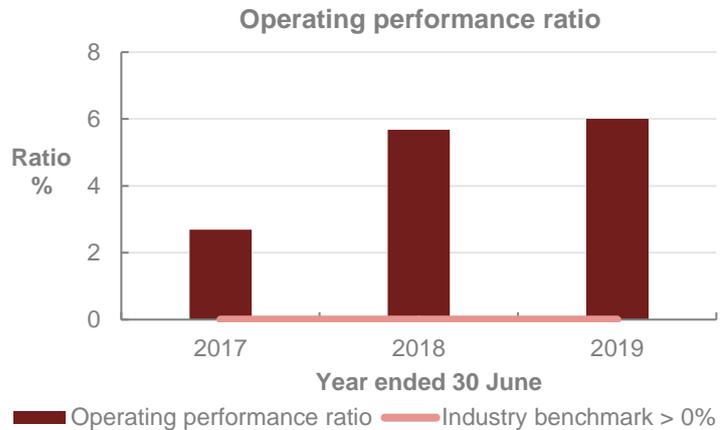
# PERFORMANCE

## Operating performance ratio

The Council's operating performance ratio, after adjusting for capital related contribution to the light rail project, has continued to strengthen against the benchmark.

A key reason for the 2018 – 19 result is the one-off recovery of rates income (reduced rates revenue by \$11.7 million in 2017 – 18).

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

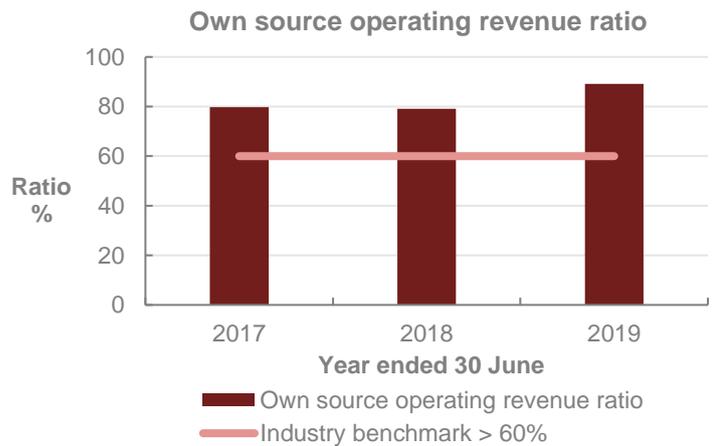


## Own source operating revenue ratio

Council's own source operating ratio continues to exceed the benchmark over the past three years and increased to 89.1 per cent in 2018–19.

The ratio fluctuates with movements in grants and contributions.

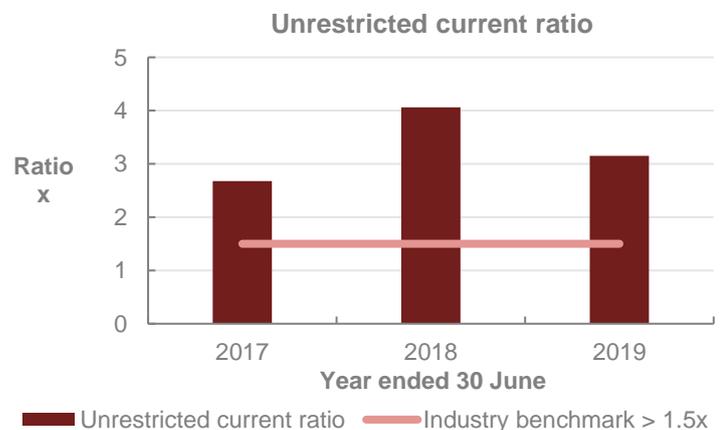
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



## Unrestricted current ratio

Council continues to exceed the benchmark. However, the unrestricted current ratio declined in 2018–19 mainly due to an increase in payables during the year.

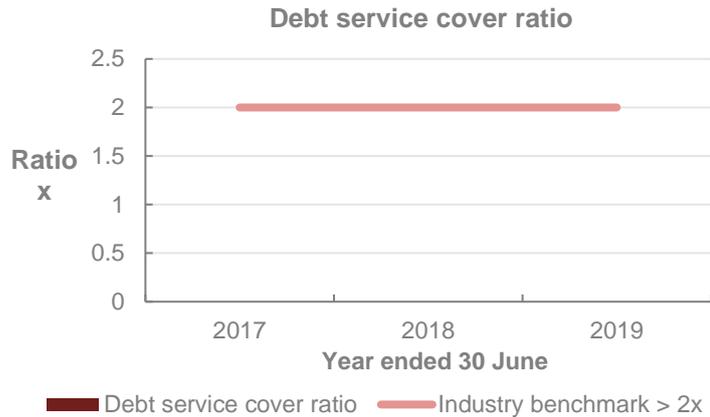
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



### Debt service cover ratio

Council, to date, does not have any debt and can meet its delivery program due to adequate operating surpluses and cash reserves.

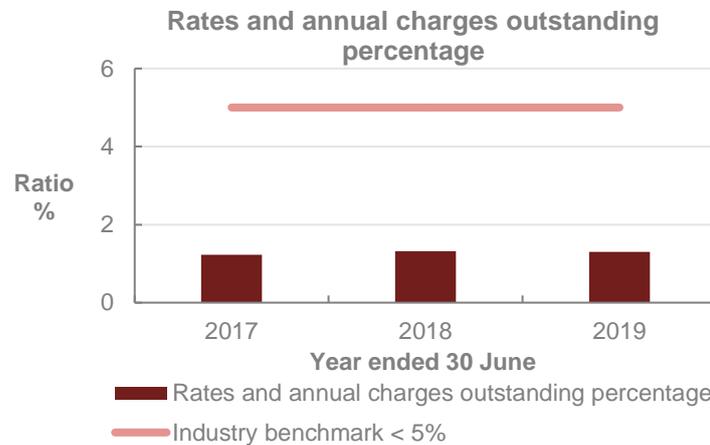
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



### Rates and annual charges outstanding percentage

Councils rates and annual charges outstanding ratio has remained stable and been below 2 per cent over the last three years, well below the benchmark level of 'less than 5 per cent'.

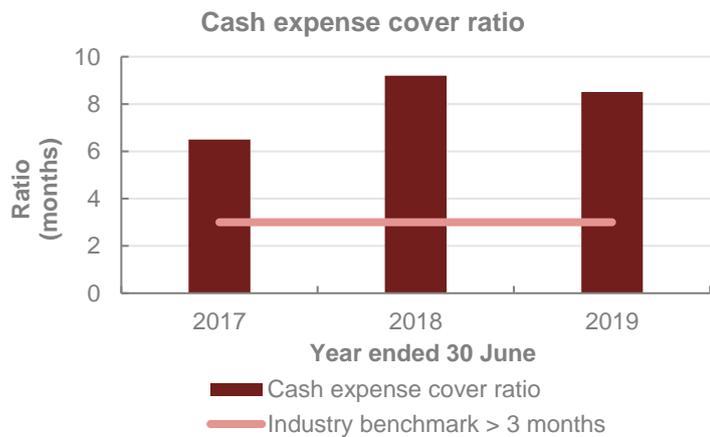
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



### Cash expense cover ratio

Council exceed the benchmark as they have strong operating surpluses and cash reserves. The delayed light rail contribution payments to Transport for NSW and lower than expected capital works expenditure, has resulted in higher cash balances over the past two years.

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



## Infrastructure, property, plant and equipment renewals

Councils performance is as follows:

- the unaudited 'buildings and infrastructure renewals ratio' was 57.3 per cent compared to 61.5 per cent in the prior year (benchmark set by OLG is 100 per cent). Council's rate of asset renewal is lower than the relative rate at which assets are depreciated.
- during 2018–19, \$131.7 million was spent on new assets (\$155.1 million in 2017–18) including \$31.5 million on land and \$7.9 million on roads infrastructure.

## OTHER MATTERS

### New accounting standards implemented

Application period	Overview
<b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b>	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"><li>• a simplified model for classifying and measuring financial assets</li><li>• a new method for calculating impairment</li><li>• a new type of hedge accounting that more closely aligns with risk management.</li></ul> <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 15.</p>

### Legislative compliance

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

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

Margaret Crawford  
Auditor-General for New South Wales

cc: Monica Barone, Chief Executive Officer  
Elizabeth Crouch, Chair of Audit Risk and Compliance Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment