

19 October 2020

At 2.00 pm

**Corporate, Finance, Properties and
Tenders Committee**

Agenda

- 1. Disclosures of Interest**
- 2. Presentation of the 2019/20 Financial Statements and Audit Reports to Council**
- 3. Audit Risk and Compliance Committee Annual Report to Council 2019/20**
- 4. Investments Held as at 30 September 2020**
- 5. Review of the Investment Policy and Strategy for the Management of Councils Surplus Funds**
- 6. Proposed Land Classification - 506-518 Gardeners Road, Alexandria**
- 7. Exemption from Tender - George Street South Pedestrianisation**
- 8. Exemption from Tender and Contract Variation - Head Design Consultant – Perry Park Stage 2**
- 9. Exemption from Tender and Contract Variation - Construction Services - Joynton Avenue and Zetland Avenue**
- 10. Contract Variation - Major Properties Efficiency Improvements (MPEP) - Energy Efficient Lighting Upgrades**
- 11. Cancellation of Tender - Event Infrastructure, Structures and Equipment for 2020/21 Major Events and Festivals - Part 7**

Disclaimer, Terms and 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.

Webcast

In accordance with the *City of Sydney Code of Meeting Practice*, Committee meetings are recorded and webcast live on the City of Sydney website at www.cityofsydney.nsw.gov.au.

Members of the public attending a council or committee meeting may have their image, voice and personal information (including name and address) recorded, publicly broadcast and archived for up to 12 months.

Consent

By attending a council or committee meeting, members of the public consent to this use of their image, voice and personal information.

Disclaimer

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Guidelines

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 Secretariat on 9265 9310 or emailing secretariat@cityofsydney.nsw.gov.au before 10.00am 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.

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 City 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 available at www.cityofsydney.nsw.gov.au

Item 1.

Disclosures of Interest

Pursuant to the provisions of the City of Sydney Code of Meeting Practice and the City of Sydney Code of Conduct, Councillors are required to disclose pecuniary interests in any matter on the agenda for this meeting.

Councillors are also required to disclose any non-pecuniary interests in any matter on the agenda for this meeting.

This will include receipt of reportable political donations over the previous four years.

In both cases, the nature of the interest must be disclosed.

Item 2.

Presentation of the 2019/20 Financial Statements and Audit Reports to Council

File No: X025180

Summary

This report presents the City's 2019/20 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 16 November 2020.

The City of Sydney's Income Statement for the year ended 30 June 2020 reports a Net Operating Result for the year of \$105.7M, in accordance with relevant accounting standards and reporting requirements, against a budgeted loss of \$36.5M. The favourable result against budget is mainly due to a substantial revaluation of the City's Investment Properties, the recognition of a significant Heritage Floor Space award in respect of a City-owned property, a gain on disposal of assets and a deferred payment of the City's final large contribution to Transport NSW for the Light Rail Project.

In completing the 2019/20 Financial Statements, a number of final adjustments were made to the results reported to Council within the 2019/20 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 \$14.3B, an increase of \$2.3B over the year, due in large part to an upward revaluation of community land and crown land (under the care and control of the City).

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 \$1.6B capital works program identified within the City's 2020/21 to 2029/30 Long Term Financial Plan.

The 2019/20 financial statements incorporate mandatory disclosures of financial performance ratios within the Statement of Performance Measurement (Note 31 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), along with 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 Office of Local Government to refine definitions and appropriate benchmarks set for financial indicators. In the interim, the City has reported all mandatory indicators, and included 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 Office of Local Government 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, as was the case in the 2019/20 financial year.

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 2019/20 Financial Statements.

Recommendation

It is resolved that Council:

- (A) receive the Financial Statements for City of Sydney for the year ended 30 June 2020, 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 2019/20 Annual Financial Statements; and
- (E) authorise that notice be given, through Sydney Your Say, of public presentation of the audited 2019/20 Financial Statements for the City of Sydney at the Council meeting on 16 November 2020.

Attachments

Attachment A. 2019/20 Financial Statements

Attachment B. Draft Auditor's Report on the 2019/20 Financial Statements

Background

1. The 2019/20 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 Update 28 (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 2020.
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 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.
5. 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.
6. The draft Financial Statements were reviewed by the Audit Risk and Compliance Committee on 1 October 2020 for endorsement to Council for authorisation.
7. The 2019/20 financial statements incorporate mandatory disclosures of financial performance ratios within the Statement of Performance Measurement (Note 31 in the General Purpose Financial Statements) and the Report on Infrastructure Assets.
8. 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.

9. 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.
10. The Audit Office of NSW, the City's external auditor, has completed their review and advised they will be issuing an unqualified audit opinion on the 2019/20 Financial Statements.

Financial Implications

11. The Financial Statements reflect a Net Operating Result for the year of \$105.7M, in accordance with relevant accounting standards and reporting requirements, against a budgeted loss of \$36.5M and a Net Operating Result excluding Capital Grants and Contributions and Contribution to Light Rail of \$19.4M versus a budgeted loss \$31.5M. The favourable result against budget is mainly due to a substantial revaluation of the City's Investment Properties, the recognition of Heritage Floor Space award, a gain on disposal of assets, and deferred payment of the City's final large contribution to Transport NSW for the Light Rail Project pending achievement of project milestones.
12. The Quarter 4 Report to Council on 24 August 2020 reflected a Net Operating Result of \$85.0M. There is a difference of \$20.7M between the Q4 Net Operating Result and the 2019/20 Financial Statements' Net Operating Result.

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

	\$M Fav/(Unfav)
Recognition of Heritage Floor Space award	20.69
Finalise accounting treatment for expensing of non-capital items from the capital works program	(6.70)
Finalise accounting for asset disposals	5.24
Finalise capital contributions accounting - recognition of Works in Kind completed and land transferred	2.53
Depreciation expense adjustments resulting from fixed asset finalisation	(1.17)
Public Liability - adjustment to self-insurance provision	0.81
Revenue recognition - adoption of AASB 15 & 1058	(0.47)
Lease accounting - adoption of AASB 16	(0.35)
Final YE accrual adjustments	0.19

14. The significant variances to budget were detailed within the Q4 Report, as presented to Council on 24 August 2020.

15. 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 \$1.6B capital works program identified within the City's 2020/21 to 2029/30 Long Term Financial Plan.

Relevant Legislation

16. 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)).

17. 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)).

18. This meeting must be held within five weeks of the receiving the audit opinion.

Critical Dates / Time Frames

19. The 2019/20 Financial Statements must be prepared, audited and submitted to the Office of Local Government by 30 November 2020. Note that this deadline has been extended by one month for the 2019/20 Financial Statements in response to the impact of the Covid-19 Pandemic.
20. A public notice must be placed to advise that the 2019/20 Financial Statements and the Auditor's Report will be presented to the public at the Council meeting of 16 November 2019. The Financial Statements will be included in the Annual Report which will be lodged with the Office of Local Government by 31 December 2020. Note that this deadline was also extended by one month for the 2019/20 Annual Report in response to the impact of the Covid-19 Pandemic.

Public Consultation

21. Following endorsement of the City's 2019/20 Financial Statements by Council, a notice will be issued via the Sydney Your Say website, for the presentation of the audited statements to the public at the Council meeting of 16 November 2020.

BILL CARTER

Chief Financial Officer

Attachment A

2019/20 Financial Statements

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General Purpose Financial Statements

Annual Report
2019 – 2020

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General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

City of Sydney is constituted under the Local Government Act 1993 (NSW) 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.

Council of the City of Sydney

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 October 2020.

Clover Moore
Lord Mayor
26 October 2020

Jess Scully
Councillor
26 October 2020

Monica Barone
Chief Executive Officer
26 October 2020

Bill Carter
Responsible Accounting Officer
26 October 2020

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		105,744	94,521
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11	830,101	–
Gain (loss) on revaluation of I,PP&E (Trust Asset Reserve)	11(a)	1,248,726	–
Total items which will not be reclassified subsequently to the operating result		2,078,827	–
Total comprehensive income for the year		2,184,571	94,521
Total comprehensive income attributable to Council		2,184,571	94,521

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	123,436	150,887
Investments	7(b)	335,250	216,482
Receivables	8	53,636	71,505
Inventories	9a	594	594
Contract assets	14a	16,326	–
Other	9b	5,871	6,030
Current assets classified as 'held for sale'	10	54,915	81,334
Total current assets		590,028	526,832
Non-current assets			
Investments	7(b)	174,107	256,061
Receivables	8	31,677	31,292
Infrastructure, property, plant and equipment	11	13,317,244	11,150,854
Investment property	12	344,700	339,350
Intangible Assets	13	48,850	20,880
Right of use assets	15a	13,361	–
Other	9b	126	140
Total non-current assets		13,930,065	11,798,577
Total assets		14,520,093	12,325,409
LIABILITIES			
Current liabilities			
Payables	16	93,562	104,296
Income received in advance	16	–	26,776
Contract liabilities	14b	9,269	–
Lease liabilities	15b	183	–
Provisions	17	70,113	69,560
Total current liabilities		173,127	200,632
Non-current liabilities			
Contract liabilities	14b	23,714	–
Lease liabilities	15b	13,530	–
Provisions	17	26,779	26,314
Total non-current liabilities		64,023	26,314
Total liabilities		237,150	226,946
Net assets		14,282,943	12,098,463
EQUITY			
Accumulated surplus	18	3,996,623	3,909,433
Revaluation reserves	18	5,414,640	4,596,226
Trust Assets Reserve	18	4,871,680	3,592,804
Total equity		14,282,943	12,098,463

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

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

Statement of Changes in Equity
for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20				as at 30/06/19			
		Accumulated surplus	IPP&E revaluation reserve	Trust assets reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Trust assets reserve	Total equity
Opening balance		3,909,433	4,596,225	3,592,805	12,098,463	3,815,951	4,596,226	3,592,804	12,004,981
Changes due to AASB 9 adoption	18c	–	–	–	–	(1,039)	–	–	(1,039)
Changes due to AASB 1058 and AASB 15 adoption	18c-ii	(91)	–	–	(91)	–	–	–	–
Restated opening balance		3,909,342	4,596,225	3,592,805	12,098,372	3,814,912	4,596,226	3,592,804	12,003,942
Net operating result for the year		105,744	–	–	105,744	94,521	–	–	94,521
Restated net operating result for the period		105,744	–	–	105,744	94,521	–	–	94,521
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	11	–	830,101	1,248,726	2,078,827	–	–	–	–
Other comprehensive income		–	830,101	1,248,726	2,078,827	–	–	–	–
Total comprehensive income		105,744	830,101	1,248,726	2,184,571	94,521	–	–	94,521
Transfers between equity items		(18,463)	(11,686)	30,149	–	–	–	–	–
Equity – balance at end of the reporting period		3,996,623	5,414,640	4,871,680	14,282,943	3,909,433	4,596,226	3,592,804	12,098,463

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

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

Statement of Cash Flows

for the year ended 30 June 2020

<i>Original unaudited budget 2020</i>	<i>\$ '000</i>	Notes	<i>Actual 2020</i>	<i>Actual 2019</i>
Cash flows from operating activities				
Receipts:				
355,796	Rates and annual charges		353,767	353,001
117,381	User charges and fees		118,632	117,850
14,287	Investment and interest revenue received		14,559	17,149
70,021	Grants and contributions		83,394	71,281
–	Bonds, deposits and retention amounts received		10,989	12,291
119,300	Other receipts from Operating Activities		138,810	162,551
Payments:				
(252,932)	Employee benefits and on-costs		(248,730)	(232,490)
(104,121)	Materials and contracts		(190,818)	(130,057)
–	Borrowing costs		(263)	–
–	Bonds, deposits and retention amounts refunded		(13,616)	(12,013)
(165,869)	Other payments for Operating Activities		(119,685)	(203,231)
153,863	Net cash provided by (or used in) operating activities	19b	147,039	156,332
Cash flows from investing activities				
Receipts:				
161,995	Sale/Redemption of investment securities		886,500	649,000
41,594	Sale of infrastructure, property, plant and equipment		88,439	8,307
Payments:				
–	Purchase of investment securities		(922,040)	(655,673)
(1,772)	Purchase of investment property		(400)	(1,400)
(390,574)	Purchase of infrastructure, property, plant and equipment		(213,825)	(139,348)
(16,832)	Purchase of intangible assets		(13,055)	(2,706)
(205,589)	Net cash provided (or used in) investing activities		(174,381)	(141,820)
Cash flows from financing activities				
Payments:				
–	Lease liabilities (principal repayments)		(109)	–
–	Net cash flow provided (used in) financing activities		(109)	–
(51,726)	Net increase/(decrease) in cash and cash equivalents		(27,451)	14,512
148,876	Plus: cash and cash equivalents – beginning of year	19a	150,887	136,375
97,150	Cash and cash equivalents – end of the year	19a	123,436	150,887
304,251	plus: Investments on hand – end of year	7(b)	509,357	472,543
401,401	Total cash, cash equivalents and investments		632,793	623,430

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 26 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

These estimates and assumptions include:

- (i) estimated fair values of investment properties – refer Note 12
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 11 and Note 26
- (iii) estimated former depot remediation provisions – refer Note 17
- (iv) employee benefit provisions – refer Note 17.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8 and Note 23.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

(b) The Trust Fund

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

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

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

- 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.

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

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

Volunteer services

Council utilises volunteers in the provision of some services. Whilst the contributions of volunteers are a valued aspect of certain services provided to the community, the financial value of these contributions is not considered material, and furthermore, would not be otherwise purchased. Accordingly, volunteer services are not recognised in these financial statements.

Covid-19 Pandemic

On 11 March 2020, the World Health Organisation declared Coronavirus (Covid-19) a global pandemic, and its impacts on the health of the Australian community and economy have become acute. In late March 2020, Council resolved to implement a number of economic stimulus and recovery measures, including fees and charges waivers, additional grant and donation expenditure, and potential 'fast tracked' capital works. In addition, Council has sought to apply the *National Code of Conduct for commercial tenancies* in respect of property leases, which incorporates rent waivers and deferrals for eligible tenants.

These statements reflect the financial impact of the Covid-19 pandemic to date, incorporating the above measures to the extent incurred, along with additional impacts to income resulting from financial hardship. Estimates of expected credit losses in respect of receivables have been updated to reflect expected impacts on debt collection. The market valuations of Council's investment properties likewise reflect anticipated rent waivers and deferrals, with the longer term impacts upon the commercial property market expected to be further quantified in future revaluations. For Infrastructure, Property, Plant and Equipment assets, Council's strategy is chiefly to realise 'value in use' for these assets, and accordingly, no financial impact has been recognised at this time in respect of Covid-19. This position will be re-assessed in future accounting periods, and to the extent that any impacts can be reliably estimated, asset values will be adjusted appropriately in these statements at that time.

New accounting standards and interpretations issued not yet effective

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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 1059 Service Concession Arrangements: Grantors**AASB 2018–5 Amendments to Australian Accounting Standards – Deferral of AASB 1059****AASB 2019–2 Amendments to Australian Accounting Standards – Implementation of AASB 1059**

AASB 1059 provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators. This standard requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

Council does not expect any material impact to future financial statements as we do not typically enter into service concession arrangements.

This standard has an effective date for the 30 June 2021 reporting period.

New accounting standards adopted during the year

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 18.

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

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

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

\$ '000	<i>Income from continuing operations</i>		<i>Expenses from continuing operations</i>		<i>Operating result from continuing operations</i>		<i>Grants included in income from continuing operations</i>		<i>Carrying amount of assets</i>	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Globally competitive and innovative city	33,275	41,512	52,649	54,239	(19,374)	(12,727)	5	100	2,440	16,680
Leading environmental performer	1,274	1,151	88,832	85,520	(87,558)	(84,369)	170	578	237,805	240,477
Integrated transport for a connected city	75,995	86,329	75,788	75,686	207	10,643	5,016	2,434	987,870	986,210
City for walking and cycling	2,478	114	2,247	1,588	231	(1,474)	2,478	114	71,948	74,917
Lively and engaging city centre	–	–	439	545	(439)	(545)	–	–	2	49
Resilient and inclusive local communities	26,195	17,091	132,585	110,923	(106,390)	(93,832)	4,116	3,591	6,871,587	6,835,699
Cultural and creative city	2,099	3,012	7,310	7,187	(5,211)	(4,175)	46	–	61	226
Housing for a diverse community	–	–	2,254	2,107	(2,254)	(2,107)	–	–	–	–
Sustainable development, renewal and design	92,269	75,610	44,103	43,013	48,166	32,597	–	–	6,871	7,501
Implementation through effective governance and partnerships	177,970	195,700	220,267	270,932	(42,297)	(75,232)	77	182	6,341,509	4,163,650
General purpose income	320,663	325,742	–	–	320,663	325,742	6,139	6,794	–	–
Total functions and activities	732,218	746,261	626,474	651,740	105,744	94,521	18,047	13,793	14,520,093	12,325,409

Council of the City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	74,956	75,755
Business	1058 (1)	228,830	230,398
Less: pensioner rebates (mandatory)	1058 (1)	(403)	(432)
Less: pensioner rebates (Council policy)	1058 (1)	(1,775)	(1,904)
Rates levied to ratepayers		301,608	303,818
Pensioner rate subsidies received	1058 (1)	361	365
Total ordinary rates		301,969	304,183
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	57,774	49,646
Stormwater management services	1058 (1)	2,077	2,068
Less: pensioner rebates (mandatory)	1058 (1)	(247)	(225)
Less: pensioner rebates (Council policy)	1058 (1)	(1,046)	(912)
Annual charges levied		58,558	50,578
Total annual charges		58,558	50,578
TOTAL RATES AND ANNUAL CHARGES		360,527	354,761

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

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

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

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

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

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

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	1058 (1)	16,349	16,334
Private works – section 67	1058 (1)	5,293	6,182
Health inspections	1058 (1)	1,192	1,444
Total fees and charges – statutory/regulatory		22,834	23,960
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Child care	15 (1)	1,260	1,660
Advertising space income	15 (1)	7,539	11,624
Parking meter income	15 (1)	32,490	37,997
Parking station income	15 (1)	7,893	9,836
Recreation facilities hire	15 (1)	14,975	4,341
Venue hire	15 (1)	4,875	5,762
Workzone and filming fees	1058 (1)	15,020	15,008
Other	15/1058 (1)	5,488	6,459
Total fees and charges – other		89,540	92,687
TOTAL USER CHARGES AND FEES		112,374	116,647

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

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

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

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

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

15/1058 (1) indicates certain income under this item is recognised under AASB 15 and some under AASB 1058; both are “at a point in time”,

Accounting policy for user charges and fees

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Award of heritage floor space	1058 (1)	20,688	–
Ex gratia rates	1058 (1)	735	750
Fines	1058 (1)	29,984	37,877
Revenue from contractual claims	15 (1)	7,000	–
Sponsorship and donations	15 (1)	199	331
Other	15 (1)	1,945	3,307
TOTAL OTHER REVENUE		60,551	42,264

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	4,776	5,329	–	–
Financial assistance – local roads component	1058 (1)	1,363	1,465	–	–
Total general purpose		6,139	6,794	–	–
Specific purpose					
Child care	15 (1)	2,502	2,188	–	–
Environmental programs	15 (1)	170	559	70	39
Library	15 (1)	654	544	–	–
Transport (other roads and bridges funding)	1058 (1)	2,523	1,134	5,048	1,546
Community and recreation	15 (1)	941	990	–	–
Total specific purpose		6,790	5,414	5,118	1,585
Total grants		12,929	12,208	5,118	1,585
Grant revenue is attributable to:					
– Commonwealth funding		8,345	9,003	3,175	–
– State funding		4,584	3,205	1,943	1,585
		12,929	12,208	5,118	1,585

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.4 – contributions using planning agreements		1058 (1)	–	–	7,632	5,580
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	19,975	11,675
S 61 – fixed development consent levies		1058 (1)	–	–	21,134	19,628
Total developer contributions – cash			–	–	48,741	36,884
Non-cash contributions						
S 7.4 – contributions using planning agreements		1058 (1)	–	–	4,222	14,461
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	184	–
Total developer contributions non-cash			–	–	4,406	14,461
Total developer contributions	29		–	–	53,147	51,345
Other contributions:						
Cash contributions						
External contributions to capital projects		1058 (1)	–	–	2,090	522
Other		1058 (1)	2,380	2,159	–	–
Total other contributions – cash			2,380	2,159	2,090	522
Non-cash contributions						
Land dedications		1058 (1)	–	–	21,991	6,715
Paving assets		1058 (1)	–	–	3,950	–
Total other contributions – non-cash			–	–	25,941	6,715
Total other contributions			2,380	2,159	28,031	7,237
Total contributions			2,380	2,159	81,178	58,582
TOTAL GRANTS AND CONTRIBUTIONS			15,309	14,367	86,296	60,167

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

The performance obligations are varied based on the agreement but include requirements such as the delivery of specific community programs, delivery of training courses to members of the public and implementation of 'smart city' technologies. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income under AASB 1058

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

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

Capital grants

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

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

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

Contributions

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4 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 Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	102	170
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	2
Add: operating grants received for the provision of goods and services in a future period	84	30
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(100)
Less: operating grants received in a previous reporting period now spent and recognised as income	(33)	–
Unexpended and held as externally restricted assets (operating grants)	153	102
Capital grants		
Unexpended at the close of the previous reporting period	19	858
Add: capital grants received for the provision of goods and services in a future period	–	19
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(858)
Less: capital grants received in a previous reporting period now spent and recognised as income	(19)	–
Unexpended and held as externally restricted assets (capital grants)	–	19
Contributions		
Unexpended at the close of the previous reporting period	150,468	169,479
Add: contributions recognised as income in the current period but not yet spent	26,501	32,315
Less: contributions recognised in a previous reporting period now spent	(46,470)	(51,326)
Unexpended and held as externally restricted assets (contributions)	130,499	150,468

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	348	572
– Cash and investments	12,258	16,864
Fair value adjustments		
– Recovery of prior year losses – Collateralised Debt Obligations (CDOs)	1,260	40
Amortisation of premiums and discounts		
– ‘Held to maturity’ investments	14	19
Total Interest and investment income	<u>13,880</u>	<u>17,495</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	348	572
General Council cash and investments	6,299	5,566
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	934	1,895
– Planning agreements/bonus floorspace levy	568	866
Domestic waste management operations	543	707
Stormwater Management Service Charge	12	15
Specific Purpose Unexpended Grants	2	16
Restricted investments/funds – internal:		
Internally restricted assets	5,174	7,858
Total interest and investment revenue	<u>13,880</u>	<u>17,495</u>

Accounting policy for interest and investment revenue

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

Dividends (if applicable) are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	202,383	189,818
Travel expenses	243	260
Employee leave entitlements (ELE)	23,028	22,778
Superannuation – defined contribution plans	15,640	14,537
Superannuation – defined benefit plans	5,820	7,060
Workers' compensation insurance	6,990	7,519
Fringe benefit tax (FBT)	695	685
Training costs (other than salaries and wages)	1,060	1,710
Other	1,766	2,025
Total employee costs	257,625	246,392
Less: capitalised costs	(6,510)	(7,428)
TOTAL EMPLOYEE COSTS EXPENSED	251,115	238,964
Number of 'full-time equivalent' employees (FTE) at year end	1,803	1,836

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on leases	263	–
TOTAL BORROWING COSTS EXPENSED	263	–

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	4,961	5,211
Contractor and consultancy costs		
– Building and facilities management	46,662	27,604
– City infrastructure management	12,938	9,486
– Parks management	18,787	17,220
– Waste disposal, recycling and graffiti removal	32,980	29,172
– Project costs and minor contracts	25,221	34,819
– Consultancies	4,090	5,837
Auditors remuneration ²	212	207
Legal expenses:		
– Legal expenses: planning and development	508	1,293
– Legal expenses: other	2,335	1,162
Expenses from short-term leases (2020 only)	36	–
Expenses from leases of low value assets (2020 only)	64	–
Variable lease expense relating to usage (2020 only)	493	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	811
Asset maintenance and minor purchases	8,145	8,191
Other	2,368	2,060
Total materials and contracts	159,800	143,073
Less: capitalised costs	(688)	(935)
TOTAL MATERIALS AND CONTRACTS	159,112	142,138

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Buildings	–	773
Other	–	38
	–	811

2. Auditor remuneration

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

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

Audit and review of financial statements	212	207
Remuneration for audit and other assurance services	212	207
Total Auditor-General remuneration	212	207
Total Auditor remuneration	212	207

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		11,954	12,014
Office equipment		2,661	2,162
Furniture and fittings		3,544	4,198
Infrastructure:	11		
– Buildings – non-specialised		35,134	27,770
– Buildings – specialised		487	479
– Roads		22,108	22,241
– Stormwater drainage		3,681	3,479
– Open space/recreational assets		22,207	21,605
Right of use assets	15	461	–
Other assets:			
– Library books		1,277	1,439
– Poles and lighting		5,901	5,497
– Public art / open museum		501	493
Intangible assets – software (amortisation)	13	6,707	5,566
Total gross depreciation and amortisation costs		<u>116,623</u>	<u>106,943</u>
Total depreciation and amortisation costs		<u>116,623</u>	<u>106,943</u>
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		<u>116,623</u>	<u>106,943</u>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 11 for IPPE assets and Note 13 for intangible assets and Note 15 for right of use assets.

Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	1,581	1,756
Bad and doubtful debts	1,365	855
Bank charges	1,764	1,733
Books and periodicals	154	144
Computing costs	7,718	12,912
Contributions/levies to other levels of government	14,927	15,806
Councillor expenses – Lord Mayoral fee	223	217
Councillor expenses – councillors' fees	407	402
Councillors' expenses (incl. mayor) – other (excluding fees above)	171	240
Donations, contributions and assistance to other organisations (Section 356)	23,794	16,348
Event and project costs	12,895	14,130
Insurance	2,614	3,688
Land tax and water rates	1,778	2,057
Other property related expenditure	1,066	809
Parking enforcement – payment to NSW government	3,484	5,227
Postage and couriers	1,224	1,434
Printing and stationery	1,402	1,646
Public domain enhancement contributions	4,350	423
Research and development	333	836
Security	2,535	2,174
Storage	669	645
Street lighting	4,304	4,429
Telephone and communications	2,350	2,609
Utilities	5,081	5,395
Other	3,172	4,180
Total other expenses	99,361	100,095
Contribution to Transport for NSW – Light Rail CBD to South East ¹	–	63,600
TOTAL OTHER EXPENSES	99,361	163,695

Accounting policy for other expenses

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

(1) 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 2020, the required milestones had not been achieved, but were subsequently agreed between the City, Transport for NSW and the project contractor in July 2020. The final contribution installment (for \$41.1M excluding GST) was paid in August 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		6,688	190
Less: carrying amount of property assets sold/written off		(509)	(113)
Net gain/(loss) on disposal		6,179	77
Plant and equipment			
	11		
Proceeds from disposal – plant and equipment		1,264	1,267
Less: carrying amount of plant and equipment assets sold/written off		(389)	(728)
Net gain/(loss) on disposal		875	539
Infrastructure			
	11		
Less: carrying amount of infrastructure assets sold/written off		(1,786)	(1,173)
Net gain/(loss) on disposal		(1,786)	(1,173)
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		886,500	649,000
Less: carrying amount of investments sold/redeemed/matured		(886,500)	(649,000)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’			
	10		
Proceeds from disposal – non-current assets ‘held for sale’		87,175	6,850
Less: carrying amount of ‘held for sale’ assets sold/written off		(81,334)	(4,383)
Net gain/(loss) on disposal		5,841	2,467
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		11,109	1,909

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	6,643	7,404
Cash-equivalent assets		
– Deposits at call	56,793	33,483
– Short-term deposits	60,000	110,000
Total cash and cash equivalents	<u>123,436</u>	<u>150,887</u>

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at amortised cost' / 'held to maturity' (2019)	335,250	174,107	216,482	256,061
Total Investments	<u>335,250</u>	<u>174,107</u>	<u>216,482</u>	<u>256,061</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>458,686</u>	<u>174,107</u>	<u>367,369</u>	<u>256,061</u>
Financial assets at amortised cost				
Long term deposits	252,000	75,000	159,000	100,000
NCD's, FRN's (with maturities > 3 months)	83,250	99,107	57,482	156,061
Total	<u>335,250</u>	<u>174,107</u>	<u>216,482</u>	<u>256,061</u>

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	458,686	174,107	367,369	256,061
attributable to:				
External restrictions	50,153	66,416	40,627	77,686
Internal restrictions	220,981	107,691	73,977	178,375
Unrestricted	187,552	–	252,765	–
	458,686	174,107	367,369	256,061

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)

External restrictions – included in liabilities**External restrictions – other**

Developer contributions – general

Specific purpose unexpended grants (recognised as revenue) – general fund

Domestic waste management

Stormwater management

External restrictions – other**Total external restrictions****Internal restrictions**

Affordable and diverse housing fund

City centre transformation reserve

Commercial property reserve

Employees leave entitlement

Green infrastructure

Green square reserve

Heritage conservation fund

Infrastructure contingency

Performance cash bonds and retentions

Public liability insurance

Renewable energy reserve

Workers compensation

Total internal restrictions**TOTAL RESTRICTIONS**

	153	–
	153	–
	84,820	91,694
	–	121
	30,984	25,992
	612	506
	116,416	118,313
	116,569	118,313
	8,475	8,772
	41,100	41,100
	88,038	16,063
	6,887	6,718
	17,477	22,182
	86,325	86,325
	23,714	11,582
	2,280	2,380
	23,345	25,970
	404	1,215
	7,747	8,629
	22,880	21,416
	328,672	252,352
	445,241	370,665

Notes to the Financial Statements

for the year ended 30 June 2020

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

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.

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.

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

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).

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	8,464	–	4,610	–
Interest and extra charges	112	–	64	–
User charges and fees	14,925	–	4,931	–
Accrued revenues				
– Interest on investments	1,505	–	3,507	–
– Other income accruals	–	–	24,712	–
Net GST receivable	3,070	–	1,515	–
Rental debtors	14,903	–	8,296	–
Outstanding works in kind contributions	14,001	31,677	27,482	31,292
Total	56,980	31,677	75,118	31,292
Less: provision of impairment				
Rental debtors and User charges & fees	(3,344)	–	(3,613)	–
Total provision for impairment – receivables	(3,344)	–	(3,613)	–
TOTAL NET RECEIVABLES	53,636	31,677	71,505	31,292
Externally restricted receivables				
Domestic waste management	635	–	635	–
Domestic waste management – extra charges	23	–	23	–
Other				
– Works receivable (developer contributions)	14,001	31,677	27,482	31,292
Total external restrictions	14,659	31,677	28,140	31,292
Unrestricted receivables	38,977	–	43,365	–
TOTAL NET RECEIVABLES	53,636	31,677	71,505	31,292

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	3,613	1,430
+ new provisions recognised during the year	2,115	2,562
– amounts already provided for and written off this year	(76)	(119)
– amounts provided for but recovered during the year	(37)	(171)
– previous impairment losses reversed	(2,271)	(89)
Balance at the end of the year	3,344	3,613

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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.

Impairment

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information. Additional disclosure related to Council's ECL model is provided at Note 23(b).

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

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

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

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

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

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

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 the Council renegotiates the 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.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	594	–	594	–
Total inventories at cost	594	–	594	–
TOTAL INVENTORIES	594	–	594	–
 (b) Other assets				
Prepayments	5,857	–	6,016	–
Future benefits – shared services relating to Sutherland animal shelter	14	126	14	140
TOTAL OTHER ASSETS	5,871	126	6,030	140

Externally restricted assets

There are no restrictions applicable to the above assets.

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Non-current assets classified as held for sale

(i) Non-current assets held for sale

\$ '000	Notes	2020		2019	
		Current	Non-current	Current	Non-current
Land	11(a)	54,430	–	9,440	–
Buildings	11(a)	485	–	44	–
Investment Property	12	–	–	71,850	–
Total non-current assets 'held for sale'		54,915	–	81,334	–
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'		54,915	–	81,334	–

(ii) Details of assets

Council holds property assets - previously designated as 'Land - Operational' and 'Buildings - Non-specialised' in Note 11 - as held for sale at 30 June 2020. Preferred purchasers have been determined, and the disposals have been endorsed by Council. Settlement is anticipated to occur during the 2020/21 financial year.

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 assets arising from employee benefits; financial assets; and investment properties that are 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.

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

Note 11. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period										as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers ²	Adjustments and transfers	Tfrs from/(to) held for sale ³ category	Tfrs from/(to) investment properties	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress (WIP) ³	193,903	–	193,903	34,897	109,949	–	–	(105,908)	–	–	(118)	–	–	232,723	–	232,723
Plant and equipment	101,288	(62,390)	38,898	7,284	2,349	(389)	(11,954)	27	–	–	–	–	–	100,013	(63,797)	36,216
Office equipment	16,252	(9,810)	6,442	3,032	–	–	(2,661)	1,103	–	–	–	–	–	19,567	(11,649)	7,918
Furniture and fittings	45,594	(27,419)	18,175	127	–	–	(3,544)	–	–	–	–	–	–	37,973	(23,213)	14,760
Land:																
– Operational land	1,543,512	–	1,543,512	–	44,562	–	–	–	(5,278)	(54,430)	–	(8,945)	–	1,519,421	–	1,519,421
– Community land	2,635,675	–	2,635,675	–	3,619	–	–	–	(30,044)	–	–	440,926	–	3,050,177	–	3,050,177
– Crown land	3,592,804	–	3,592,804	–	–	–	–	–	30,149	–	–	1,248,726	–	4,871,680	–	4,871,680
– Land under roads (post 30/6/08)	75,326	–	75,326	–	16,993	–	–	–	5,173	–	–	–	–	97,491	–	97,491
Other structures – trees	118,719	–	118,719	–	562	–	–	452	–	–	–	–	–	119,732	–	119,732
Other structures – poles and lights	114,601	(55,264)	59,337	–	570	–	(5,901)	2,340	–	–	–	10,345	–	125,235	(58,545)	66,690
Other structures – signs	20,026	–	20,026	–	46	–	–	1,511	–	–	–	2,540	–	24,123	–	24,123
Infrastructure:																
– Buildings – non-specialised	1,741,983	(338,495)	1,403,488	206	18,823	(391)	(35,134)	4,209	–	(485)	–	–	–	1,759,771	(369,055)	1,390,716
– Buildings – specialised	44,422	(13,130)	31,292	–	–	(118)	(487)	609	–	–	–	–	–	44,833	(13,538)	31,295
– Roads, Bridges, Footways, Kerbs	1,657,277	(754,542)	902,735	106	8,177	(1,785)	(22,108)	35,140	–	–	–	339,741	–	1,794,591	(532,584)	1,262,007
– Stormwater drainage	326,265	(113,240)	213,025	–	1,494	–	(3,681)	56,147	–	–	–	16,770	–	409,866	(126,112)	283,754
– Open space/recreational assets	527,651	(279,288)	248,363	–	686	(1)	(22,207)	3,665	(8)	–	–	28,724	–	611,802	(352,581)	259,221
Other assets:																
– Heritage collections	7,227	–	7,227	–	88	–	–	–	–	–	–	–	–	7,314	–	7,314
– Library books	8,240	(5,181)	3,059	1,042	–	–	(1,277)	–	–	–	–	–	–	8,069	(5,245)	2,824
– City art	47,708	(8,860)	38,848	123	–	–	(501)	705	8	–	–	–	–	48,543	(9,361)	39,182
Total Infrastructure, property, plant and equipment	12,818,473	(1,667,619)	11,150,854	46,817	207,918	(2,684)	(109,455)	–	–	(54,915)	(118)	(8,945)	2,087,772	14,882,924	(1,565,680)	13,317,244

(1) Renewals are defined as the replacement or reinstatement of existing assets (significant upgrades and acquisition of additional assets are shown under Additions new assets).

(2) WIP Transfers consists of completed capital construction projects transferred from Work in Progress into the fixed asset register. Completed projects transferred include: \$26.2M in capital renewal, \$37.8M in capital upgrade, \$41.9M in new infrastructure and facilities

(3) Capital Work in Progress includes \$231.2M for capital construction projects and \$1.5M for Plant & Asset purchases

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

Note 11. Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers ²	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Tfrs from/(to) investment properties	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress ³	320,704	–	320,704	30,739	66,038	–	–	(214,804)	–	–	(8,773)	193,903	–	193,903
Plant and equipment	87,490	(52,586)	34,904	7,272	1,325	(728)	(12,014)	8,140	–	–	–	101,288	(62,390)	38,898
Office equipment	22,223	(17,622)	4,601	1,636	–	–	(2,162)	2,368	–	–	–	16,252	(9,810)	6,442
Furniture and fittings	41,338	(23,221)	18,117	169	–	–	(4,198)	4,088	–	–	–	45,594	(27,419)	18,175
Land:														
– 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)	56,660	–	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
Infrastructure:														
– 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	43,330	(12,651)	30,679	–	–	–	(479)	1,093	–	–	–	44,422	(13,130)	31,292
– Roads	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
– Other open space/recreational assets	468,548	(257,683)	210,865	–	4,155	–	(21,605)	54,947	–	–	–	527,651	(279,288)	248,363
Other assets:														
– 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)	3,059
– City art	43,430	(8,367)	35,063	–	–	–	(493)	4,278	–	–	–	47,708	(8,860)	38,848
Total Infrastructure, property, plant and equipment - Prior year	12,628,403	(1,586,053)	11,042,350	39,945	128,696	(6,397)	(101,377)	–	(62)	56,474	(8,773)	12,818,473	(1,667,619)	11,150,854

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

(2) 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

(3) Capital Work in Progress includes \$191.3M for capital construction projects and \$2.6M for Plant & Asset purchases

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. 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 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:

Buildings (by component type):	Years	Infrastructure - Drainage	Years
Structure (Short Life)	26 to 148	Pipes and culverts	100
Structure (Long Life)	50 to 260	Drainage pits and junctions	100
Sub-Structure (Short Life)	28 to 126	Trunk drainage infrastructure	200
Sub-Structure (Long Life)	75 to 195	Water quality infrastructure	10 to 100
Roof (Short Life)	26 to 122		
Roof (Long Life)	50 to 195	Poles and Lighting	
Fit-Out (Short Life)	17 to 74	Council lighting	20
Fit-Out (Long Life)	50 to 130	Smartpoles	20
Services - Electrical (Short Life)	30 to 88		
Services - Electrical (Long Life)	75 to 195	Council Signage	Infinite
Services - Fire (Short Life)	10 to 25		
Services - Fire (Long Life)	40 to 52	Open space and recreational assets	
Services - Hydraulic (Short Life)	23 to 88	Park and open space improvements	8 to 50
Services - Hydraulic (Long Life)	75 to 195	Park equipment and structures	10 to 20
Services - Mechanical (Short Life)	10 to 63		
Services - Mechanical (Long Life)	80 to 104	Trees - street and park trees	Infinite
Services - Security (Short Life)	14 to 25		
Services - Lift/Transport (Short Life)	47 to 130	Plant & Equipment	
Services - Lift/Transport (Long Life)	75 to 195	Plant & equipment	3 to 20
Services - Floor Coverings (Short Life)	8 to 43	Vehicles and road-making equipment	5 to 7
		Computer equipment	3 to 5
		Parking Meters	5 to 7
Infrastructure - Roads		Office Equipment	3 to 5
Roads - upper strata	30 to 100	Furniture and Fittings	3 to 10
Roads - lower strata	300		
Roads - sub-structure earthworks	Infinite		
Footways	30 to 100	Other assets	
Kerb and gutter	80 to 150	Library resources	3 to 10
Bridges and structures	100	City art	20 to 100
Street furniture/fixtures	20 to 50		

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. 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 not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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 \$4,872M). 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Investment properties

	2020	2019
Owned investment property		
Investment property on hand at fair value	344,700	339,350
Total owned investment property	<u>344,700</u>	<u>339,350</u>

(a) Reconciliation – owned investment property

Reconciliation of annual movement:

Opening balance	339,350	344,000
– Capitalised expenditure – this year	120	8,773
– Reclassified as 'held for sale'	–	(71,850)
– Net gain/(loss) from fair value adjustments	5,230	58,427
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	<u>344,700</u>	<u>339,350</u>

(b) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2020 revaluations were based on independent assessments made by: *AON Valuation Services (a division of AON Risk Services Australia Limited) Certifying Valuer: Michael Lim AAPI (2019: Jeffrey Millar, AAPI)*

(c) Leasing arrangements – Council as lessor (2019 only) ¹

The investment properties 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
Later than 1 year but less than 5 years	–	18,360
Later than 5 years	–	1,101
Total minimum lease payments receivable	<u>–</u>	<u>29,136</u>

(d) Investment property income and expenditure – summary
(2019 only) ¹

Direct operating expenses on investment property	–	(2,796)
Net revenue contribution from investment property	<u>–</u>	<u>(2,796)</u>
plus:		
Fair value movement for year	–	58,427
Total income attributable to investment property	<u>–</u>	<u>55,631</u>

Accounting policy for investment property

Investment property, comprising commercial, industrial and residential properties, is held for long-term rental yield and capital appreciation and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

(1) Equivalent information as at June 2020 is shown at Note 15, in accordance with disclosures required under AASB 16, effective 1 July 2019.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
(a) Software		
Opening values at 1 July		
Gross book value	30,043	22,720
Accumulated amortisation	(14,587)	(9,022)
Software work in progress (WIP) balance	5,424	9,750
Net book value – opening balance	20,880	23,448
Movements for the year		
– Development costs capitalised	4,407	7,323
– Amortisation charges	(6,707)	(5,566)
– WIP movement - net	9,582	(4,326)
Closing values at 30 June		
Gross book value	34,451	30,043
Accumulated amortisation	(21,295)	(14,587)
Software work in progress (WIP) balance	15,006	5,424
Total software – net book value	28,162	20,880
(b) Transferable Rights - Heritage Floor Space		
Opening values at 1 July		
Gross book value - opening balance	–	–
Movements for the year		
– Award of heritage floor space on City-owned property	20,688	–
Closing values at 30 June		
Gross book value	20,688	–
Total Transferable Rights - Heritage Floor Space – net book value	20,688	–
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	48,850	20,880

Accounting policy for intangible assets

IT development and software

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Intangible assets (continued)

Transferable Rights - Heritage Floor Space

The heritage floor space scheme provides an incentive for the conservation and ongoing maintenance of heritage items in central Sydney. The scheme provides for owners of eligible heritage listed buildings to be awarded heritage floor space after preparing a conservation management plan and completing agreed conservation works to their building. The awarded heritage floor space can then be sold to a site that requires it as part of an approved development application.

There is currently an active market within central Sydney for heritage floor space, as it is often a requirement of large scale developments to acquire heritage floor space in order to maximise development capacity on a site.

Following an award of heritage floor space on a Council-owned property, an asset will be recognised at the point the award is registered on Council's heritage floor space register. At recognition, and at subsequent balance dates, heritage floor space held by Council will be valued with reference to the *Heritage Floor Space Update*, published biannually by the Council's Strategic Planning and Urban Design unit (at December and June). As transferable rights, the assets have an infinite useful life, but may be subject to fluctuations market value.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
(a) Contract assets		
Accrued revenue	16,326	–
Total Contract assets	16,326	–

(i) Externally restricted assets

There are no restrictions applicable to the above assets.

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended operating grants (received prior to performance obligation being satisfied)	(i)	147	–
Heritage conservation fund	(ii)	–	23,714
Total grants and contributions received in advance:		147	23,714
User fees and charges received in advance:			
Miscellaneous payments received in advance		9,122	–
Total user fees and charges received in advance		9,122	–
Total contract liabilities		9,269	23,714

Notes

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

(ii) The liability relates to funds received via the Alternative Heritage Floor Space Allocation Scheme and held in the Heritage Conservation Fund. Strict eligibility criteria for projects, detailed in the scheme, must be met before funds are eligible to be recognised as income. This recognition occurs at the completion on eligible projects.

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Unspent grants held as contract liabilities	153	–
Contract liabilities relating to externally restricted assets	153	–
Internally restricted assets		
Heritage Conservation Fund	–	23,714
Contract liabilities relating to internally restricted assets	–	23,714
Total contract liabilities relating to restricted assets	153	23,714
Total contract liabilities relating to unrestricted assets	9,116	–
Total contract liabilities	9,269	23,714

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Contract assets and liabilities (continued)

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Operating grants (received prior to performance obligation being satisfied)	33
User Fees and Charges received in advance:	
Miscellaneous payments received in advance	14,545
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	14,578

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases

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

(i) Council as a lessee

Buildings

Council entered a lease for two floors of a larger commercial building, commencing 28 June 2019, for use as a public library. The initial lease term is 15 years, with escalation of CPI plus 0.5% annually.

Extension options

The lease contains five extension options of 15 years each, plus a further option of 9 years (i.e. total potential extensions of 84 years, following the initial 15 year term). Council has assessed the first 15 year option as reasonably certain, and included this option term in lease liability calculations. The further options are currently not considered to be reasonably certain, and have therefore been excluded from lease liability calculations (the present value of future lease payments at 30 June 2020, including all future extension options, is estimated at \$56.7M).

\$ '000	Building	Total
(a) Right of use assets		
Opening balance at 30 June 2019	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	13,822	13,822
Depreciation charge	(461)	(461)
RIGHT OF USE ASSETS	13,361	13,361

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	183	13,530
TOTAL LEASE LIABILITIES	183	13,530

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	443	1,887	16,224	18,554	13,713

(ii) Lease liabilities relating to restricted assets

There are no restricted assets (external or internal) applicable to the above lease liabilities

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

\$ '000	2020
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(c) Income Statement

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

Interest on lease liabilities	263
Variable lease payments based on usage not included in the measurement of lease liabilities	493
Depreciation of right of use assets	461
Expenses relating to short-term leases	36
Expenses relating to low-value leases	64
	1,317

(d) Statement of Cash Flows

Total cash outflow for leases	371
	371

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- Bridges - stratum
- Car park
- Child care centre
- Community room
- Jetty/pontoon facilities
- Parks and open space

The leases are generally between 10 and 99 years for nominal rent. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

Accounting policy**Accounting policies under AASB 16 – applicable from 1 July 2019**

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

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

Refer to Note 5c for policy information related to lease accounting for the 2019 (comparative) year, prepared under previous accounting standard AASB 117.

(ii) Council as a lessor

(e) Operating leases

Council leases a number of properties to both commercial tenants and community groups. Those property assets that are held by Council for the purposes of generating rental income and/or capital appreciation are classified as investment property in the statement of financial position. Other property assets generating lease income are held for a range of community and strategic purposes, and income generated through lease arrangements is considered incidental to these longer term strategic aims.

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

\$ '000	2020	2019
(i) Operating lease income		
Investment properties (per AASB 140)		
Lease income - investment properties	16,723	20,021
Other commercial property income		
Lease income from Council properties not classified as Investment Property under AASB 140	38,012	37,622
Lease income relating to variable lease payments not dependent on an index or a rate	12,207	22,581
Total income relating to operating leases	66,942	80,224
(ii) Operating lease expenses		
Investment properties		
Direct operating expenses that generated rental income	2,052	2,796
Other leased assets		
Direct operating expenses for other properties that generated rental income	20,728	19,595
Total expenses relating to operating leases	22,780	22,391
(iii) Repairs and maintenance: investment property		
Contractual obligations for future repairs and maintenance	854	726
Total repairs and maintenance: investment property	854	726

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

\$ '000	2020	2019
(iv) Maturity analysis of contractual lease income		
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:		
< 1 year	31,356	28,779
1–2 years	27,272	20,622
2–3 years	18,045	10,972
3–4 years	16,285	7,407
4–5 years	7,981	6,328
> 5 years	62,099	74,266
Total undiscounted contractual lease income receivable	163,038	148,374

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Creditors – Goods and services	19,488	–	15,657	–
Accrued employee costs	6,625	–	6,327	–
Accrued expenses:				
– Interest on bonds and deposits	5	–	5	–
– Other expenditure accruals	40,385	–	53,018	–
Performance cash bonds, deposits and retentions	23,346	–	25,973	–
Prepaid rates	2,907	–	2,869	–
Other	806	–	447	–
Total payables	93,562	–	104,296	–
Income received in advance (2019 only)				
Payments received in advance	–	–	26,776	–
Total income received in advance	–	–	26,776	–
Borrowings				
Nil				
TOTAL PAYABLES AND BORROWINGS	93,562	–	131,072	–
<hr/>				
\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Domestic waste management	3,360	–	2,577	–
Payables and borrowings relating to externally restricted assets	3,360	–	2,577	–
Internally restricted assets				
Performance cash bonds, deposits and retentions	23,346	–	25,973	–
Payables and borrowings relating to internally restricted assets	23,346	–	25,973	–
Total payables and borrowings relating to restricted assets	26,706	–	28,550	–
Total payables and borrowings relating to unrestricted assets	66,856	–	102,522	–
TOTAL PAYABLES AND BORROWINGS	93,562	–	131,072	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Payables and borrowings (continued)

\$ '000	2020	2019
(b) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	11,087	13,895
Total payables and borrowings	11,087	13,895
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Credit cards/purchase cards	1,500	1,500
Total financing arrangements	1,500	1,500
Drawn facilities as at balance date:		
– Credit cards/purchase cards	13	–
Total drawn financing arrangements	13	–
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	1,487	1,500
Total undrawn financing arrangements	1,487	1,500

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	13,933	–	14,473	–
Sick leave	3,006	2,738	3,563	2,930
Long service leave	46,044	3,241	43,152	3,058
Public holidays	235	–	329	–
Sub-total – aggregate employee benefits	63,218	5,979	61,517	5,988
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	4,000	–	4,000
Sub-total – asset remediation/restoration	–	4,000	–	4,000
Other provisions				
Self insurance – workers compensation	3,598	11,654	3,113	11,164
Self insurance – public liability	–	404	166	1,049
Superannuation	–	4,742	–	4,113
Other	3,297	–	4,763	–
Sub-total – other provisions	6,895	16,800	8,043	16,326
TOTAL PROVISIONS	70,113	26,779	69,560	26,314

(a) Provisions relating to restricted assets

Internally restricted assets				
Self insurance – workers compensation	3,598	11,654	3,113	11,164
Self insurance – public liability	–	404	166	1,049
Provisions relating to internally restricted assets	3,598	12,058	3,279	12,213
Total provisions relating to restricted assets	3,598	12,058	3,279	12,213
Total provisions relating to unrestricted assets	66,515	14,721	66,281	14,101
TOTAL PROVISIONS	70,113	26,779	69,560	26,314

\$ '000	2020	2019
---------	------	------

(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	37,655	38,803
	<u>37,655</u>	<u>38,803</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	Gratuities	Public holidays	
2020						
At beginning of year	14,473	6,493	46,210	–	329	67,505
Additional provisions	14,399	–	8,509	–	–	22,908
Amounts used (payments)	(14,939)	(693)	(5,891)	–	(95)	(21,618)
Remeasurement effects	–	74	1,071	–	–	1,145
Unused amounts reversed	–	(130)	(614)	–	–	(744)
Total ELE provisions at end of year	13,933	5,744	49,285	–	234	69,196
2019						
At beginning of year	14,042	7,764	44,048	98	328	66,280
Additional provisions	13,987	375	6,660	–	1	21,023
Amounts used (payments)	(13,556)	(1,838)	(6,557)	(67)	–	(22,018)
Remeasurement effects	–	192	2,059	–	–	2,251
Unused amounts reversed	–	–	–	(31)	–	(31)
Total ELE provisions at end of year	14,473	6,493	46,210	–	329	67,505

\$ '000	Other provisions					Total
	Workers Compensation	Public liability	Superannuation	Other	Asset remediation	
2020						
At beginning of year	14,277	1,215	4,114	4,764	4,000	28,370
Additional provisions	6,990	–	–	3,297	–	10,287
Amounts used (payments)	(6,015)	(810)	–	–	–	(6,825)
Remeasurement effects	–	–	628	–	–	628
Unused amounts reversed	–	–	–	(4,764)	–	(4,764)
Total other provisions at end of year	15,252	405	4,742	3,297	4,000	27,696
2019						
At beginning of year	11,366	658	2,608	6,139	4,000	24,771
Additional provisions	7,668	557	–	239	–	8,464
Amounts used (payments)	(4,757)	–	–	–	–	(4,757)
Remeasurement effects	–	–	1,506	–	–	1,506
Unused amounts reversed	–	–	–	(1,614)	–	(1,614)
Total other provisions at end of year	14,277	1,215	4,114	4,764	4,000	28,370

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions (continued)

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.

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

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, e.g. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions (continued)

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 7(c).

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 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions (continued)

(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.

(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 \$3.206M.

(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 2020 is:

Employer reserves only (excluding member accounts and reserves in both assets and liabilities)	\$M	Asset
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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.

(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 4.73% based on the Council's current level of annual past service contributions of \$1.891M against total contributions of \$40.0M. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA as at 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions (continued)

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 17 - 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors**(a) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

The infrastructure, property, plant and equipment revaluation reserve is used to record increments 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.

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

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

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

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

(ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements

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

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

Principal v agent

Prior to adoption of AASB 15, the Council had recognised net revenue received under a facility management contract for aquatic facilities. Assessed under AASB 15, Council's role is as principal, with the operator acting as an agent. Accordingly, revenue (and operating expense) have been "grossed up" to reflect the overall operating result for Council's aquatic facilities.

Licences

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

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

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

Grants – capital

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

Changes in presentation

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Accrued revenue, previously disclosed in *Note 8 - Receivables*, is now classified as a Contract asset in *Note 14 Contract assets and liabilities*.
- Payments received in advance, consisting of receipts by Council prior to the fulfilment of associated performance obligations, previously included in *Note 13 - Payables*, is now included as part of Contract liabilities in *Note 14 Contract assets and liabilities*.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	11,225
– Under AASB 1058	13,487
Total Contract assets	<u>24,712</u>
Contract liabilities	
– Under AASB 15	14,617
– Under AASB 1058	11,664
Total Contract liabilities	<u>26,281</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards
Current assets				
Cash and cash equivalents	123,436	–	–	123,436
Investments	335,250	–	–	335,250
Receivables	53,636	16,326	–	69,962
Inventories	594	–	–	594
Contract assets	16,326	(16,326)	–	–
Other	5,871	–	–	5,871
Current assets classified as 'held for sale'	54,915	–	–	54,915
Total current assets	590,028	–	–	590,028
Current liabilities				
Payables	93,562	–	–	93,562
Income received in advance	–	9,146	–	9,146
Contract liabilities	9,269	(9,146)	(123)	–
Lease liabilities	183	–	–	183
Provisions	70,113	–	–	70,113
Total current liabilities	173,127	–	(123)	173,004
Non-current assets				
Investments	174,107	–	–	174,107
Receivables	31,677	–	–	31,677
Infrastructure, property, plant and equipment	13,317,244	–	–	13,317,244
Investment property	344,700	–	–	344,700
Intangible assets	48,850	–	–	48,850
Right of use assets	13,361	–	–	13,361
Other	126	–	–	126
Total non-current assets	13,930,065	–	–	13,930,065
Non-current liabilities				
Income received in advance	–	23,714	–	23,714
Contract liabilities	23,714	(23,714)	–	–
Lease liabilities	13,530	–	–	13,530
Provisions	26,779	–	–	26,779
Total Non-current liabilities	64,023	–	–	64,023
Net assets	14,282,943	–	123	14,283,066
Equity				
Accumulated surplus	3,996,623	–	123	3,996,746
Revaluation reserves	5,414,640	–	–	5,414,640
Other reserves	4,871,680	–	–	4,871,680
Total equity	14,282,943	–	123	14,283,066

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards
<u>Income from continuing operations</u>				
Rates and annual charges	360,527	–	–	360,527
User charges and fees	112,374	–	(11,697)	100,677
Other revenues	60,551	–	–	60,551
Grants and contributions provided for operating purposes	15,309	–	51	15,360
Grants and contributions provided for capital purposes	86,296	–	(18)	86,278
Interest and investment income	13,880	–	–	13,880
Net gains from the disposal of assets	11,109	–	–	11,109
Fair value increment on investment properties	5,230	–	–	5,230
Rental income	66,942	–	–	66,942
Total Income from continuing operations	732,218	–	(11,664)	720,554
<u>Expenses from continuing operations</u>				
Employee benefits and on-costs	251,115	–	–	251,115
Borrowing costs	263	–	–	263
Materials and contracts	159,112	–	(11,697)	147,415
Depreciation and amortisation	116,623	–	–	116,623
Other expenses	99,361	–	1	99,362
Fair value decrement on investment properties	5,230	–	–	5,230
Total Expenses from continuing operations	631,704	–	(11,696)	620,008
Total Operating result from continuing operations	100,514	–	32	100,546
Net operating result for the year	100,514	–	32	100,546
Total comprehensive income	3,433,297	–	–	3,433,297

The amounts shown at User charges and fees and Material and contracts relate to the "grossing up" of contractual revenue and expenses arising from Council's role as contractual principal under AASB15. The remaining (smaller) amounts relate to changes in accounting for grants under AASB 15 and AASB 1058.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

Statement of Financial Position

\$ '000	<i>Original Balance 1 July, 2019</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 1 July, 2019</i>
Receivables - current	71,505	(24,712)	46,793
Contract assets	–	24,712	24,712
Total assets	12,325,409	–	12,325,409
Income received in advance	26,190	(26,190)	–
Contract liabilities	–	26,281	26,281
Total liabilities	226,946	91	227,037
Accumulated surplus	3,909,433	(91)	3,909,342
Total equity	12,098,463	(91)	12,098,372

(iii) AASB 16 Leases

Council as a lessee

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

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

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

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

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$13.8M at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 1.9% p.a. Calculations of annual lease expense made under the new standard are expected to result in expenses in excess of lease payments being recognised in the earlier years of the lease period. Over the life of the lease, expenses recognised will match cash payments made to the lessor.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Balance at 1 July 2019
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	37,240
Add:	
Extension options reasonably certain to be exercised not included in the commitments note	7,741
Less:	
Leases for low-value assets included in commitments note	(13)
Variable lease payments estimates included in prior year commitments note	(26,544)
Agreements not substantially transferring assets to Council	(4,602)
Lease liabilities recognised at 1 July 2019	<u>13,822</u>

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16. Should Council enter into sub-leases at a future date, these arrangements will now be classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Adjustments to the current year figures for the year ended 30 June 2020 - on adoption at 1 July 2019**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	13,822	13,822
Total assets	12,325,409	13,822	12,339,231
Leases	–	13,822	13,822
Total liabilities	226,946	13,822	240,768
Accumulated surplus ¹	–	–	–
Total equity	12,098,463	–	12,098,463

(1) The lease commencement date was 28 June 2019. As the impact on opening equity was negligible, the right-of-use asset and lease liability were taken up with effect from 1 July 2019. Accordingly, no adjustment was made to Accumulated Surplus.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	123,436	150,887
Balance as per the Statement of Cash Flows		123,436	150,887
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		105,744	94,521
Adjust for non-cash items:			
Depreciation and amortisation		116,623	106,943
Net losses/(gains) on disposal of assets		(11,109)	(1,910)
Non-cash capital grants and contributions		(30,347)	(21,176)
Acquisition of heritage floor space rights (via award)		(20,688)	–
Adoption of AASB 15/1058		(91)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(1,260)	(40)
– Investment property		(5,230)	(58,427)
Amortisation of premiums, discounts and prior period fair valuations			
– Financial assets at amortised cost / held to maturity (2019)		(14)	(19)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		3,860	1,518
Increase/(decrease) in provision for impairment of receivables		(269)	2,183
Decrease/(increase) in inventories		–	(44)
Decrease/(increase) in other current assets		173	(2,016)
Decrease/(increase) in contract assets		(16,282)	–
Increase/(decrease) in payables		3,831	399
Increase/(decrease) in other accrued expenses payable		(9,400)	17,181
Increase/(decrease) in other liabilities		(22,503)	12,395
Increase/(decrease) in contract liabilities		32,983	–
Increase/(decrease) in provision for employee benefits		1,692	1,226
Increase/(decrease) in other provisions		(674)	3,598
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		147,039	156,332
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		30,347	21,176
Award of heritage floor space		20,688	–
Total non-cash investing and financing activities		51,035	21,176

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

Note 20. Interests in other entities

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Commitments

\$ '000	2020	2019
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	28,556	55,555
Infrastructure – Roads, Bridges, Footways, Kerb and Gutter	28,087	55,155
Open Space	23,113	14,398
Plant and equipment	7,757	3,127
Public Art	1,998	2,796
Stormwater Drainage	10,958	10,669
Other	2,527	11,374
Total commitments	102,996	153,074
These expenditures are payable as follows:		
Within the next year	82,646	111,466
Later than one year and not later than 5 years	20,167	37,212
Later than 5 years	183	4,396
Total payable	102,996	153,074
Sources for funding of capital commitments:		
Unrestricted general funds	102,996	153,074
Total sources of funding	102,996	153,074

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 (2019 only)

Nil

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Commitments (continued)

\$ '000	2020	2019
(c) Operating lease commitments (non-cancellable): Council as lessee (2019 only)		
i. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	–	1,522
Later than one year and not later than 5 years	–	6,245
Later than 5 years	–	33,196
Total non-cancellable operating lease commitments	–	40,963

ii. Non-cancellable operating leases include the following assets:

Refer to Note 15 for information relating to leases for 2020.

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 40 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 2020.

Conditions relating to operating leases:

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

(d) Operating lease commitments (non-cancellable): Council as lessor (2019 only)**i. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	–	29,049
Later than one year and not later than 5 years	–	51,246
Later than 5 years	–	152,912
Total non-cancellable operating lease commitments (council as lessor)	–	233,207

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Contingencies

LIABILITIES 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

i) 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.

ii) A contractor undertaking construction project entered liquidation in January 2020, and have failed to pay one of their subcontractors. Council is not liable to the subcontractor, however costs are likely to be associated with terminating the previous contractor and appointing a new contractor to complete the project.

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 17.

As a self-insurer, Council is required to lodge a bank guarantee with the State Insurance Regulatory Authority (SIRA). At 30 June 2020, bank guarantees of \$14.277M 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.

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.

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. Mediation is continuing at 30 June 2020.

Council of the City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Contingencies (continued)

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 17.

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.

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

At balance date, an award of HFS on a Council-owned property has been registered and is reflected in Note 3c and Note 13. Further awards on Council-owned properties are possible in future periods, subject to the assessment of the applications.

Valuation of any HFS awarded to/held by Council in the future is reliant on available market evidence of recent sales by holders of HFS to developers.

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 ten development sites (totalling \$55.0M). 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 (\$23.7M claimed from bank guarantees). These funds are held as restricted cash, as detailed at Note 7c.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management

Risk management

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

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council. Financial risk management is carried out by Council's Chief Finance Office under policies approved by the Council.

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

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

\$ '000	<i>Carrying value 2020</i>	<i>Carrying value 2019</i>	<i>Fair value 2020</i>	<i>Fair value 2019</i>
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	123,436	150,887	123,436	150,887
Receivables	85,313	102,797	85,313	102,797
Investments				
– 'Financial assets at amortised cost'	509,357	472,543	510,702	474,003
Total financial assets	718,106	726,227	719,451	727,687
Financial liabilities				
Payables	93,562	104,296	93,562	101,427
Lease liabilities	13,713	–	13,713	–
Total financial liabilities	107,275	104,296	107,275	101,427

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – carrying value is estimated to approximate market value.
- **Held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

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.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and 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 these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management (continued)

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.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in market values ¹	–	–	–	–
Possible impact of a 1% movement in interest rates ²	6,305	6,305	(6,305)	(6,305)
2019				
Possible impact of a 10% movement in market values ¹	–	–	–	–
Possible impact of a 1% movement in interest rates ²	6,215	6,215	(6,215)	(6,215)

(1) For the financial years shown, all investments were classified as 'Held to Maturity', in accordance with AASB 9 and Council's deemed 'business model'. Accordingly, fluctuations in market value are not expected to have any impact on Net Surplus or Equity; all investments are due to mature at their face value.

(2) Owing to prevailing market conditions in light of the Covid-19 pandemic, the weighted average annual interest rate for new investments placed by Council in June 2020 was approximately 0.7% per annum. Annual returns for the investment portfolio in 2019-20 exceeded 1.00%; however, should interest rates remain at recent levels, a further 1% decrease will not be possible (with the unlikely exception of negative interest rates).

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

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

There are no significant concentrations of credit risk, 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management (continued)

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
2020						
Gross carrying amount	–	8,265	87	59	53	8,464
2019						
Gross carrying amount	–	4,476	71	64	63	4,674

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. For the assessment of expected credit losses at 30 June 2020, consideration was given to the expected impact of the Covid-19 pandemic on default rates. Accordingly, typical expected loss rates were increased by 30%, to reflect the expected ongoing impacts of the pandemic. In addition, a sizable outstanding debt amount was resolved/settled on 3 July 2020. The debt remains outstanding at 30 June 2020 (substantially at 60+ days outstanding), but was excluded from expected credit loss calculations.

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	57,273	15,200	52	1,388	6,280	80,193
Expected loss rate (%)	0.00%	0.70%	14.48%	34.92%	43.71%	4.17%
ECL provision	–	106	8	485	2,745	3,344
2019						
Gross carrying amount	91,100	4,329	945	481	4,882	101,737
Expected loss rate (%)	0.00%	6.23%	26.12%	27.73%	60.69%	3.55%
ECL provision	–	270	247	133	2,963	3,613

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management (continued)

(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	<i>Weighted average interest rate</i>	<i>Subject to no maturity</i>	<i>payable in: ≤ 1 Year</i>	<i>1 - 5 Years</i>	<i>> 5 Years</i>	<i>Total cash outflows</i>	<i>Actual carrying values</i>
2020							
Trade/other payables	0.00%	23,346	67,309	–	–	90,655	90,655
Total financial liabilities		<u>23,346</u>	<u>67,309</u>	<u>–</u>	<u>–</u>	<u>90,655</u>	<u>90,655</u>
2019							
Trade/other payables	0.00%	25,973	75,449	–	–	101,422	101,427
Total financial liabilities		<u>25,973</u>	<u>75,449</u>	<u>–</u>	<u>–</u>	<u>101,422</u>	<u>101,427</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 24/6/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Other revenues	42,068	60,551	18,483	44% F
<i>Other revenues</i> are favourable against budget largely due to the recognition of income associated with the award of transferable heritage floor space rights at a significant City owned CBD building (\$20.7M), along with the receipt of \$7.5M to fund minor rectification works as part of the finalisation of the Light Rail project with Transport NSW.				
Outside of the above items, <i>Other revenues</i> reported an unfavourable result against budget largely due to the impact of the Covid-19 pandemic on Enforcement income from the early stages of the Covid-19 pandemic. A flexible approach to enforcement was adopted which led to a significant reduction in fines.				
Rental income	77,770	66,942	(10,828)	(14)% U
Performance against the original budget is unfavourable largely as a result of the Covid-19 pandemic, and its impact on the commercial property rental market. A large number of tenants in Council-owned properties have suffered financial hardship and applied for relief under the Federal Government's <i>Code of conduct for commercial tenancies</i> .				
Capital grants and contributions	67,975	86,296	18,321	27% F
Capital contributions were favourable to budget. The timing of these contributions is difficult to predict. 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. A number of large approvals, originally expected in the 2018/19 financial year were received in the 2020/21 financial year. Contributions toward development in the CBD (known as Section 61 contributions) were favourable to budget				
Net gains from disposal of assets	–	11,109	11,109	∞ F
Council does not budget for gains on disposal of assets, due to their non-recurrent nature, uncertainty of timing and the inherent volatility of sale proceeds. Individual asset sales are approved with appropriate delegated authority, taking into consideration the proposed price offered by the purchaser and the carrying value of the asset/s.				
Fair value increment on investment property	–	5,230	5,230	∞ F
Council does not budget for the increase (or decrease, when applicable) of investment property values, on the basis that any change in valuation represents a non-cash movement, and cannot be reliably predicted in advance. Any gain/loss realised is considered supplementary to results against Council's operating budget.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Material budget variations (continued)

\$ '000	2020 <i>Budget</i>	2020 <i>Actual</i>	2020 ----- <i>Variance</i> -----	
EXPENSES				
Materials and contracts	117,936	159,112	(41,176)	(35)% U

Council's adopted budget included approximately \$22.1M 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 \$6.0M) 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 to 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.

In addition, the budget for aquatics facility management fees were netted off against income and included in the User Fees and Charges category only. For the purposes of the actual results shown in financial statements both gross income and expenditure have been included thereby significantly increasing the amount shown for facility management fees as part of this category.

Other expenses	176,924	99,361	77,563	44% F
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Refer to Materials and Contracts commentary above. Council's adopted budget included approximately \$22.1M 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 \$6.0M) retained in Other expenses - contributions/levies to other levels of Government. Prior year comparatives were also reclassified.

The budget anticipated that the final payments to Transport NSW, of \$40.9M, as part of the Light Rail agreement would occur in 2019/20. The agreement was finalised in early 2020/21 with the final payment made in August. The overall savings in this category were offset, in part, by additional community support grants that occurred in response to the Covid-19 pandemic.

STATEMENT OF CASH FLOWS

Cash flows from investing activities	(205,589)	(133,004)	72,585	(35)% F
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The favourable performance against budget reflects lower than anticipated capital works and property acquisition expenditure. In particular, the budget anticipated land acquisition of approximately \$120M, however a suitable site (or sites) could not be located during the 2019/20 financial year. In terms of capital works, contract issues and approval delays have slowed progress on a number of projects. Unspent budget for these projects is to be revoted into future years.

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

Note 25. Discontinued operation

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Fair Value Measurement

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

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

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 represent property sales where a financial offer has been accepted and/or settlement is expected within the next 12 months. The assets were transferred from the Operational Land and Buildings classes, and Investment Properties, having been most recently revalued at the dates noted in Note 26(1).

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Fair Value Measurement (continued)

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

2020	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	
Recurring fair value measurements					
Investment property					
	30/06/20	–	344,700	–	344,700
		–	344,700	–	344,700
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/20	–	–	36,215	36,215
Office equipment	30/06/20	–	–	7,918	7,918
Furniture and fittings	30/06/20	–	–	14,760	14,760
Operational land	30/06/17	–	1,519,421	–	1,519,421
Community land	30/06/20	–	–	3,050,177	3,050,177
Crown and third party owned land (Council-controlled)	30/06/20	–	–	4,871,680	4,871,680
Land under roads (post 30/6/2008)	30/06/17	–	–	97,491	97,491
Open space/Recreational assets	30/06/20	–	–	259,221	259,221
Buildings – non specialised	30/06/17	–	403,982	986,734	1,390,716
Buildings – specialised	30/06/17	–	–	31,295	31,295
Other Structures – trees	30/06/17	–	–	119,732	119,732
Other Structures – signs	30/06/20	–	–	24,123	24,123
Other Structures – poles & lights	30/06/20	–	–	66,691	66,691
Roads, bridges, footpaths, kerbs	30/06/20	–	–	1,262,007	1,262,007
Stormwater drainage	30/06/20	–	–	283,755	283,755
Heritage collections	30/06/16	–	–	7,315	7,315
Library books	30/06/16	–	–	2,824	2,824
City art	30/06/16	–	–	39,182	39,182
		–	1,923,403	11,161,120	13,084,523
Non-current assets classified as 'held for sale'					
Land	30/06/17	–	54,430	–	54,430
Buildings	30/06/17	–	485	–	485
Investment properties	30/06/20	–	–	–	–
		–	54,915	–	54,915

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Fair Value Measurement (continued)

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		
Recurring fair value measurements						
Investment property						
	Investment property portfolio	30/06/19	–	339,350	–	339,350
	Total investment property		–	339,350	–	339,350
Infrastructure, property, plant and equipment						
	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
	Crown and third party owned land (Council-controlled)	30/06/16	–	–	3,592,805	3,592,805
	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
	Total infrastructure, property, plant and equipment		–	1,948,585	9,008,368	10,956,953
Non-current assets classified as 'held for sale'						
	Land	30/06/17	–	9,440	–	9,440
	Buildings	30/06/17	–	–	44	44
	Investment properties	30/06/19	–	71,850	–	71,850
	Total NCA's classified as 'held for sale'		–	81,290	44	81,334

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Fair Value Measurement (continued)

(2) Transfers between level 1 and level 2 fair value hierarchies

No transfers occurred between level 1 and level 2 fair value hierarchies during the year.

(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. With the exception of Trees assets, these asset classes were subject to an interim revaluation adjustment during 2019/20 (pending comprehensive revaluation in future periods). The interim adjustment utilised indices derived from relevant contract works unit rates, and Australian Bureau of Statistics indices, as a basis for a general uplift of asset values.

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Fair Value Measurement (continued)

- 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.

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. Values were subject to an interim valuation adjustment in 2019/20 (pending a comprehensive revaluation in future accounting periods). A general uplift index for each suburb within the Local Government Area was derived based on movements in Valuer-General property valuations between 2016 and 2019. The applicable uplift percentage by suburb was applied to the base valuation held for each property.

Crown and 3rd party owned Land

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. A general uplift index for each suburb within the Local Government Area was derived based on movements in Valuer-General property valuations between 2016 and 2019. The applicable uplift percentage by suburb was applied to the base valuation held for each property.

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).

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. For 30 June 2020, only Buildings (non-specialised) and Operational Land were classified as held for sale, based on divestment status at balance date. Valuation techniques are consistent with those described above in relation to those classes.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Fair Value Measurement (continued)

(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 engloba methodology applied to valuations is intended to reflect the inherent restriction 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'.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	3,945	3,935
Post-employment benefits	372	382
Total	4,317	4,317

(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. payment of rates, access to library or Council swimming pool by KMP) will not be disclosed.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

On 3 July 2020, council accepted transfer of public domain assets, including paving works, kerbs, drainage and other infrastructure assets from the NSW Government and the project contractor, in accordance with the Light Rail Development Deed. Council assumed operational control of the assets, and will also manage outstanding defect rectifications. Assets will be quantified and recognised in the 2020/21 financial year, consistent with the date of transfer

On 7 August 2020, Council made the final contribution instalment payment totalling \$41.1M to the NSW Government in connection with the Light Rail Development Deed. Project milestones were achieved to the satisfaction of all parties. This payment had originally been budgeted to occur in the 2019/20 financial year, however the milestones were not sufficiently achieved by 30 June 2020 to warrant the payment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/19			as at 30/6/20				
	Opening Balance	Cash	Non-cash	Interest earned in year	Expenditure/ asset received during year	Internal Borrowing (to)/from	Held as restricted asset*	Cumulative internal borrowings due/(payable)
\$ '000								
Community facilities	-	2,750	-	-	(8,047)	5,297	-	22,557
Open space	47,749	13,231	-	599	(13,475)	(5,389)	42,715	(47,496)
Stormwater drainage	1,309	717	-	-	(808)	92	1,311	24,939
Traffic and transport	21,902	3,277	185	334	(6,691)	-	19,008	-
Total section 7.11 revenue under plans**	70,961	19,975	185	934	(29,020)	-	63,034	-
Section 7.4 planning agreements	70,508	7,632	4,222	568	(24,464)	-	58,465	
Section 61 contributions	-	21,135	-	-	(21,135)	-	-	
Total contributions	141,468	48,741	4,406	1,502	(74,619)	-	121,499	-
Cash contribution movement	91,694	49,478		1,502	(57,853)	-	84,820	-
Section 7.11 (all plans)	59,869	19,975		934	(28,416)	-	52,362	-
Section 7.4 (VPA)	31,825	8,368		568	(8,303)	-	32,458	
Section 61	-	21,135		-	(21,135)	-	-	
Contribution receivable movement	49,774	(736)	4,406		(16,766)	-	36,678	
Section 7.11 (all plans)	11,092	-	185		(604)	-	10,672	
Section 7.4 (VPA)	38,683	(736)	4,222		(16,162)	-	26,006	
Total contributions	141,468	48,741	4,406	1,502	(74,619)	-	121,499	-

* Restricted assets comprise unspent cash contributions and works-in-kind/cash contributions receivable that have been secured by bank guarantee/security deposit

** Note that the City of Sydney operated only one section 7.11 contributions plan for the years shown (the City of Sydney Developer Contributions Plan 2015)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Statement of developer contributions (continued)

Voluntary Planning Agreements

Planning agreements (also commonly referred to as VPAs) are voluntary agreements entered into by the City and a developer to deliver public benefits. These may include the dedication of land to Council, monetary contributions, public infrastructure, community facilities, affordable housing, any other material public benefit or any combination of these.

In respect of monetary contributions, the VPA documents detail the particular purpose for which the contributions are to be utilised. Council monitors receipts and expenditure by purpose, and any funds yet to be expended on nominated works are held as restricted assets.

Summary of VPA monetary contribution expenditure

<i>\$ '000</i>	2020	2019
Contributions expended during year - by purpose		
Alexandria precinct local area traffic management	780	-
New roads, stormwater drainage and facilities in the Green Square Town Centre and Urban Renewal area	5,500	5,000
New roads infrastructure in the Ashmore precinct, Erskineville	100	220
New greenway and public park works, Rosebery	1,450	435
New cycleway construction - Wilson and Burren Street and Green Square to Randwick	473	94
Stormwater augmentation works in the Shea's Creek catchment area - Alexandria	-	189
Upgrade works at Prince Alfred Park	-	153
Total expenditure - VPA monetary contributions	8,303	6,092

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

Note 30. Financial result and financial position by fund

Council utilises only a general fund for its operations.

Council of the City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2020

Note 31(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio (excluding non-recurrent capital expenditure from Operating Expenses)					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1,849	0.29%	6.01%	5.68%	>0.00%
Total continuing operating revenue excluding capital grants and contributions	628,323				
1a. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ¹	1,849	0.29%	(4.16)%	5.68%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	628,323				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	613,014	85.78%	89.08%	79.08%	>60.00%
Total continuing operating revenue ¹	714,619				
3. Unrestricted current ratio					
Current assets less all external restrictions ³	525,216	4.35x	3.15x	4.06x	>1.50x
Current liabilities less specific purpose liabilities ⁴	120,872				
3a. Unrestricted current ratio (less internal and external restrictions)					
Current assets less all external and internal restrictions	349,174	3.72x	2.64x	3.43x	>1.50x
Current liabilities less specific purpose liabilities ^{4,5}	93,927				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation	118,735	319.18x	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	372				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	8,576	2.35%	1.30%	1.32%	<5.00%
Rates, annual and extra charges collectible	365,549				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	450,436	9.43 mths	8.51 mths	9.20 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	47,768				

(1) Continuing operating revenue also excludes Excludes fair value adjustments and reversal of revaluation decrements, and net gain/(loss) on sale of assets.

(2) 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 5e). Ratio 1a. is prepared in accordance with the OLG Code of Accounting Practice.

(3) Refer Notes 7-10 and 14.

(4) Refer to Notes 14(b)i, 16(b) and 17(a).

(5) Refer to Note 14(b)i, 16(b) and 17(a) – also excludes all payables and provisions not expected to be paid in the next 12 months (incl. Employee Leave Entitlements).

Notes to the Financial Statements

for the year ended 30 June 2020

Note 31(a). Statement of performance measures – consolidated results (continued)

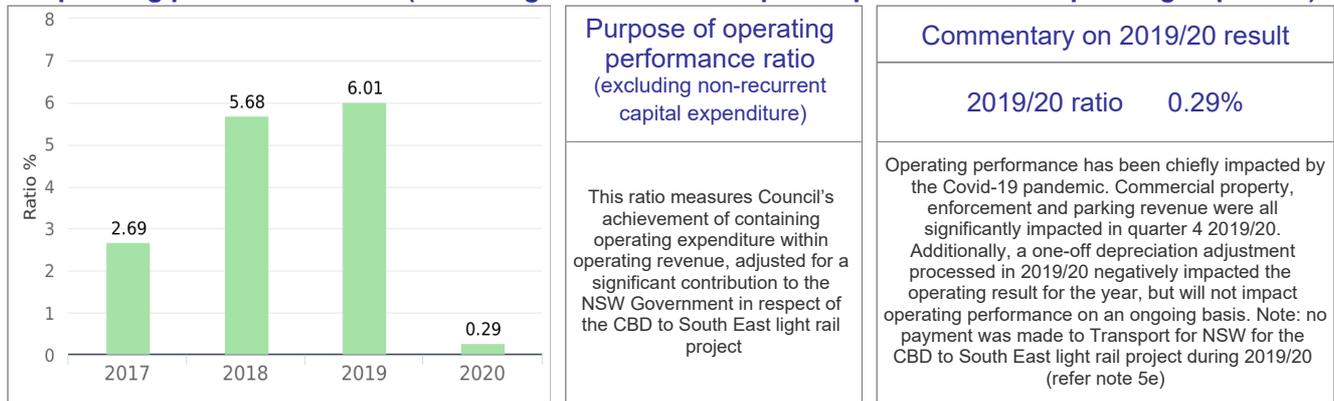
END OF AUDITED FINANCIAL STATEMENTS (Additional (non-audited) disclosure included at Note 31b)

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

Note 31(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 31a).

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



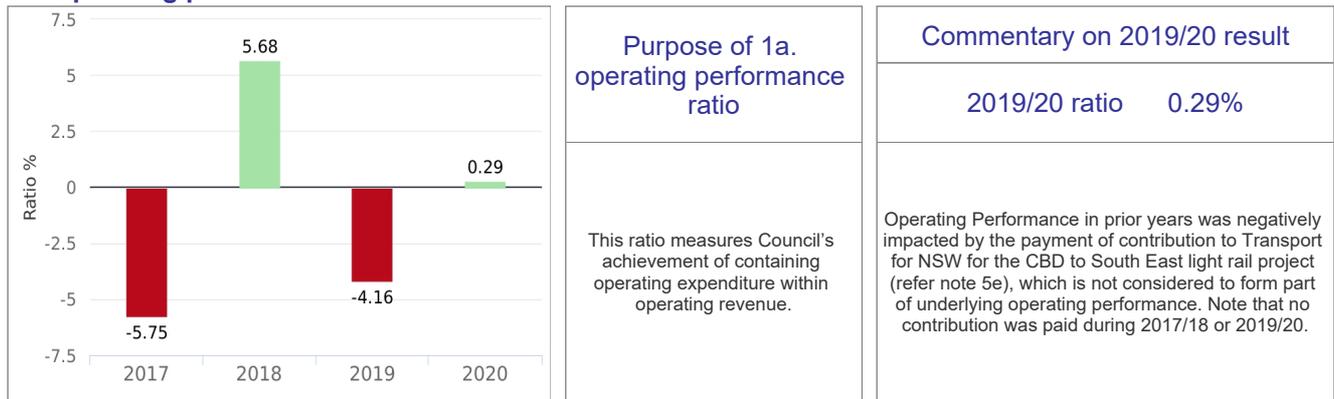
Benchmark: — > 0.00%

Source of benchmark: City of Sydney (based on Code of Accounting Practice #28)

Ratio achieves benchmark

Ratio is outside benchmark

1a. Operating performance ratio



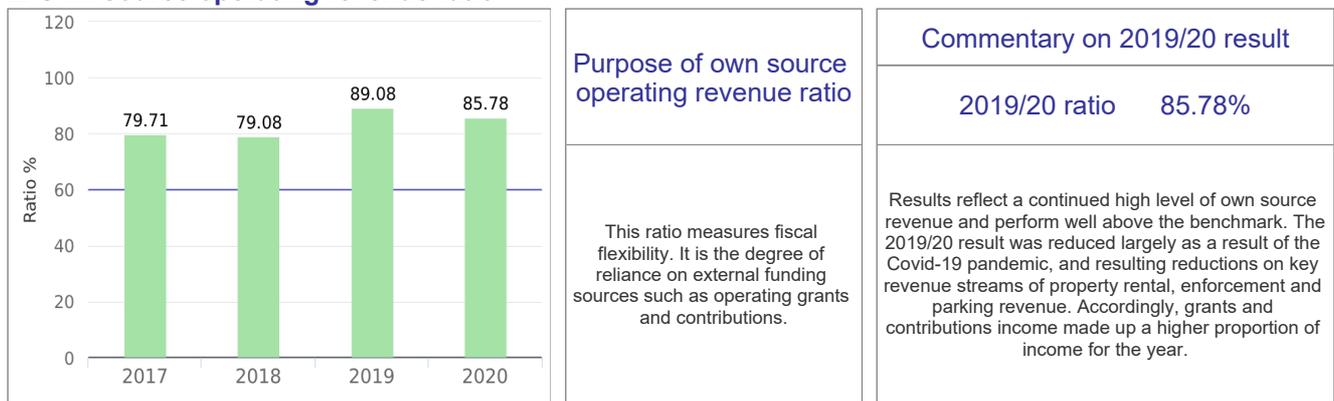
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Benchmark: — > 60.00%

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

Ratio achieves benchmark

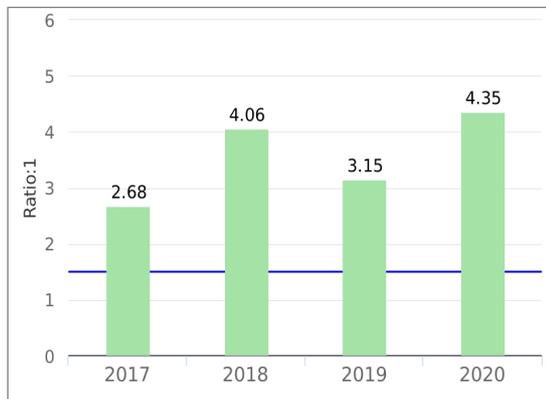
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 31(b). Statement of performance measures – consolidated results (graphs)

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 4.35x

Council significantly exceeds the ratio benchmark. The ratio result indicates that Council is comfortably able to meet its short term financial obligations as they fall due after excluding all external restrictions. The uplift in the ratio for 2019/20 reflects Council taking a conservative approach to investment activity and holding a larger proportion of cash and investments at short maturities, in order to manage uncertainty during the Covid-19 pandemic.

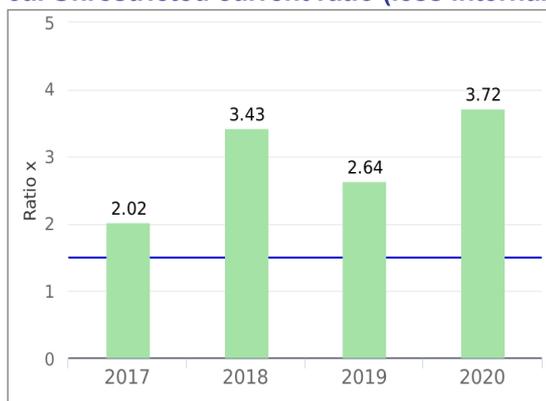
Benchmark: — > 1.50x

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

Ratio achieves benchmark

Ratio is outside benchmark

3a. Unrestricted current ratio (less internal and external restrictions)



Purpose of 3a. unrestricted current ratio (less internal and external restrictions)

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council, taking into consideration amounts restricted internally by Council.

Commentary on 2019/20 result

2019/20 ratio 3.72x

Cash and investment balances have reduced as funds are utilised in the delivery of the capital works program. However, the ratio result indicates that Council is comfortably able to meet its short term financial obligations as they fall due after excluding all external and internal restrictions. Performance trends reflect ratio 3 above.

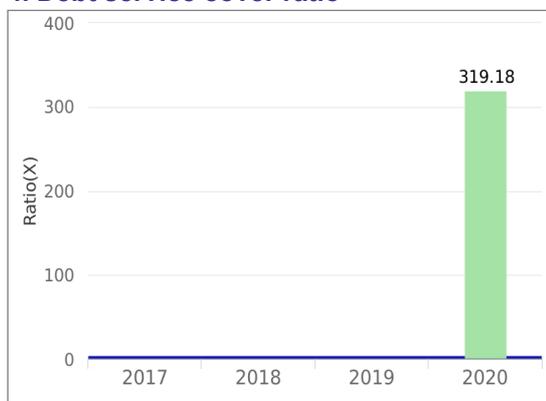
Benchmark: — > 1.50x

Source of benchmark: City of Sydney (based on Code of Accounting Practice #28)

Ratio achieves benchmark

Ratio is outside benchmark

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 319.18x

Council has remained debt-free for more than 15 years. The ratio result for 2019/20 reflects the implicit interest recognised in relation to a property lease, under new accounting standard AASB 16. The substantially above benchmark result reflects the immaterial scale of this notional interest expense.

Benchmark: — > 2.00x

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

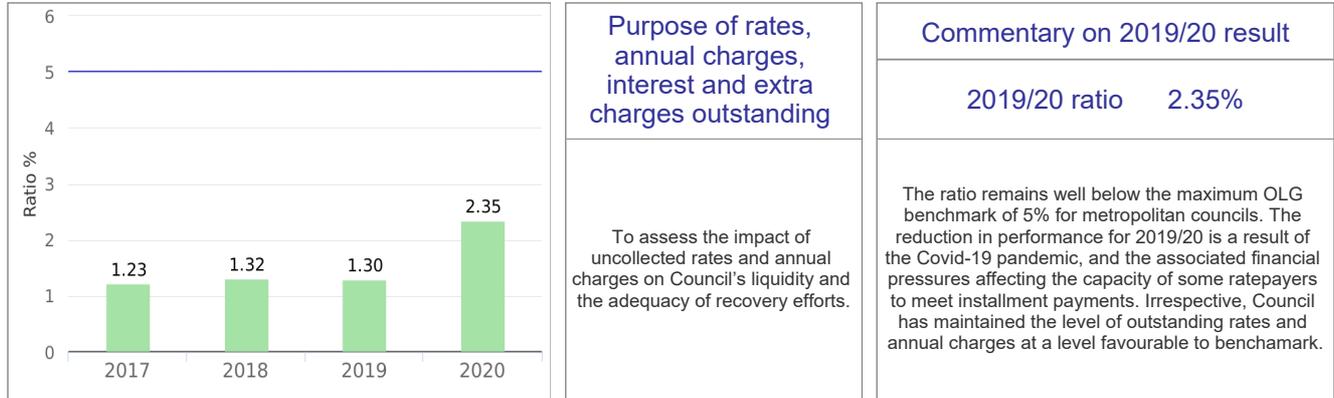
Ratio achieves benchmark

Ratio is outside benchmark

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

Note 31(b). Statement of performance measures – consolidated results (graphs)

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



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

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

Commentary on 2019/20 result

2019/20 ratio 2.35%

The ratio remains well below the maximum OLG benchmark of 5% for metropolitan councils. The reduction in performance for 2019/20 is a result of the Covid-19 pandemic, and the associated financial pressures affecting the capacity of some ratepayers to meet installment payments. Irrespective, Council has maintained the level of outstanding rates and annual charges at a level favourable to benchmark.

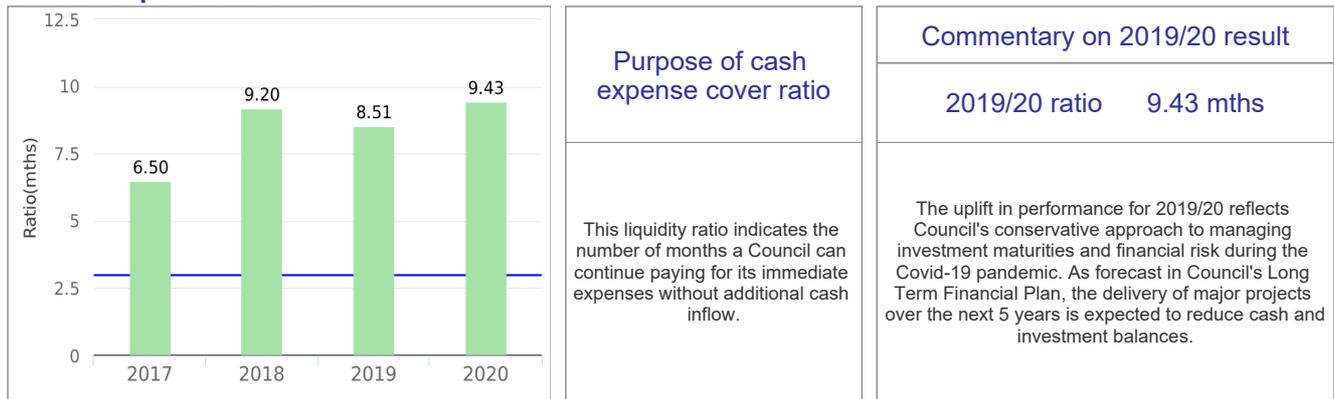
Benchmark: — < 5.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 9.43 mths

The uplift in performance for 2019/20 reflects Council's conservative approach to managing investment maturities and financial risk during the Covid-19 pandemic. 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.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark



Special Purpose Financial Statements

Annual Report
2019 – 2020

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Special Purpose Financial Statements

for the year ended 30 June 2020

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Background

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

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2020

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 October 2020.

Clover Moore
Lord Mayor
26 October 2020

Jess Scully
Councillor
26 October 2020

Monica Barone
Chief Executive Officer
26 October 2020

Bill Carter
Responsible Accounting Officer
26 October 2020

Income Statement – Parking Stations
for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	7,893	9,836
Total income from continuing operations	7,893	9,836
Expenses from continuing operations		
Employee benefits and on-costs	189	173
Materials and contracts	1,379	1,554
Depreciation, amortisation and impairment	878	902
Calculated taxation equivalents	110	95
Other expenses	1,679	1,690
Total expenses from continuing operations	4,235	4,414
Surplus (deficit) from continuing operations before capital amounts	3,658	5,422
Surplus (deficit) from continuing operations after capital amounts	3,658	5,422
Surplus (deficit) from all operations before tax	3,658	5,422
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,006)	(1,491)
SURPLUS (DEFICIT) AFTER TAX	2,652	3,931
Plus accumulated surplus	92,385	86,868
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	110	95
– Corporate taxation equivalent	1,006	1,491
Closing accumulated surplus	96,153	92,385
Return on capital %	3.9%	5.7%

Statement of Financial Position – Parking Stations

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Receivables	81	193
Total current assets	81	193
Non-current assets		
Infrastructure, property, plant and equipment	94,165	94,999
Inter-Entity Debtor	85,542	80,616
Total non-current assets	179,707	175,615
TOTAL ASSETS	179,788	175,808
LIABILITIES		
Current liabilities		
Payables	1,000	747
Provisions	60	58
Total current liabilities	1,060	805
Non-current liabilities		
Provisions	19	19
Total non-current liabilities	19	19
TOTAL LIABILITIES	1,079	824
NET ASSETS	178,709	174,984
EQUITY		
Accumulated surplus	96,154	92,386
Revaluation reserves	82,555	82,598
TOTAL EQUITY	178,709	174,984

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

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

Monetary amounts

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

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 \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 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.

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.

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

Note 1. Significant Accounting Policies (continued)

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

END OF AUDITED FINANCIAL STATEMENTS



Special Schedules

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Annual Report
2019 – 2020

Special Schedules

for the year ended 30 June 2020

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Report on Infrastructure Assets - Values	4

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	305,065	304,302
Plus or minus adjustments ²	b	1,471	3,495
Notional general income	c = a + b	306,536	307,797
Permissible income calculation			
Rate peg percentage	d	2.60%	2.70%
Plus rate peg amount	e = c x d	7,970	8,311
Sub-total	f = c + e	314,506	316,108
Less one-off shortfall catch-up claimed in the previous year ³	g	–	(11,730)
Less unrecovered amounts claimed in the previous year	h	(1,013)	(326)
Total permissible income	i = f + g + h	313,493	304,052
Less notional general income yield	j	315,286	305,065
Plus catch-up of unrecovered amounts ⁴	k	1,794	1,013
Catch-up or (excess) result ⁵	l = i - j + k	–	–

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The catch-up of a previous year shortfall in general income is allowed under section 511 of the Local Government Act 1993.
- (4) 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.
- (5) 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.

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^c	2019/20 Actual maintenance ^c	Net carrying amount ^d	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost						
		Estimated cost to bring assets to satisfactory standard ^a	to bring to the agreed level of service set by Council ^b					2019/20 Required maintenance ^c	2019/20 Actual maintenance ^c	Net carrying amount ^d	Gross replacement cost (GRC)	1	2	3
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000							
(a) Report on Infrastructure Assets - Values														
Buildings	Buildings – non-specialised	27,902	47,621	37,043	37,789	1,390,716	1,760,257	6.8%	65.7%	26.4%	1.1%	0.0%		
	Buildings – specialised ^e	5,318	1,257	1,866	1,712	31,295	44,833	6.8%	47.9%	14.4%	30.9%	0.0%		
	Sub-total	33,220	48,878	38,909	39,501	1,422,011	1,805,090	6.8%	65.3%	26.1%	1.8%	0.0%		
Roads	Sealed roads – surface	253	356	3,811	3,458	156,700	232,508	7.5%	32.7%	59.4%	0.4%	0.0%		
	Sealed roads – structure	4,420	6,235	193	175	477,047	538,604	40.1%	41.9%	15.0%	2.1%	0.9%		
	Bridges	192	2,616	161	146	354,746	10,642	11.0%	27.7%	59.2%	2.1%	0.0%		
	Footpaths	1,400	3,184	5,380	4,882	201,128	548,102	4.9%	41.7%	50.6%	2.8%	0.0%		
	Kerb and gutter	3,085	6,089	1,366	1,239	58,934	322,626	2.7%	40.1%	48.8%	7.8%	0.6%		
	Other road assets ^f	277	277	180	163	13,452	46,309	1.9%	31.7%	63.4%	3.0%	0.0%		
	Sub-total	9,627	18,757	11,091	10,063	1,262,007	1,698,791	16.0%	39.9%	40.6%	3.2%	0.4%		
Stormwater drainage	Stormwater drainage	3,500	3,500	2,789	2,489	283,754	409,866	14.0%	72.9%	9.0%	2.7%	1.4%		
	Sub-total	3,500	3,500	2,789	2,489	283,754	409,866	14.0%	72.9%	9.0%	2.7%	1.4%		
Open space / recreational assets	Open Space Assets	8,212	13,077	16,229	16,321	259,221	611,802	7.9%	27.5%	59.5%	4.8%	0.3%		
	Sub-total	8,212	13,077	16,229	16,321	259,221	611,802	7.9%	27.5%	59.5%	4.8%	0.3%		
TOTAL - ALL ASSETS		54,559	84,212	69,018	68,374	3,226,993	4,525,549	11.0%	51.3%	34.5%	2.8%	0.3%		

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Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

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 11 of the General Purpose Financial Statements.

e The proportion of Specialised Buildings assessed as condition 4 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.

f 'Other' infrastructure includes street furniture and street fixtures (e.g. traffic islands)

Infrastructure asset condition assessment 'key'

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

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Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
Infrastructure asset performance indicators (consolidated) *					
1. Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	40,737	51.17%	57.28%	61.47%	>=100.00%
Depreciation, amortisation and impairment	79,617				
1a. Buildings and infrastructure renewals ratio (alternate) ¹					
Asset renewals ²	40,737	63.52%	64.46%	67.39%	>100.00%
Required asset renewal (per adopted asset management strategy)	64,133				
2. Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	54,559	1.69%	1.98%	2.05%	<2.00%
Net carrying amount of infrastructure assets	3,226,993				
3. Asset maintenance ratio					
Actual asset maintenance	68,374	99.07%	99.93%	98.26%	>100.00%
Required asset maintenance	69,018				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	84,212	1.86%	1.31%	1.54%	
Gross replacement cost	4,525,549				

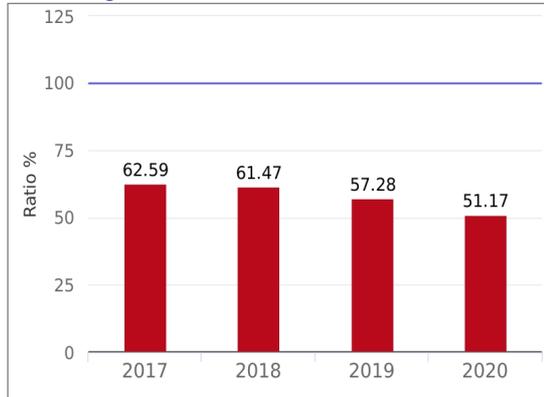
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

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

1. Buildings and infrastructure renewals ratio



Purpose of buildings and infrastructure renewals ratio

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

Commentary on 2019/20 result

2019/20 ratio 51.17%

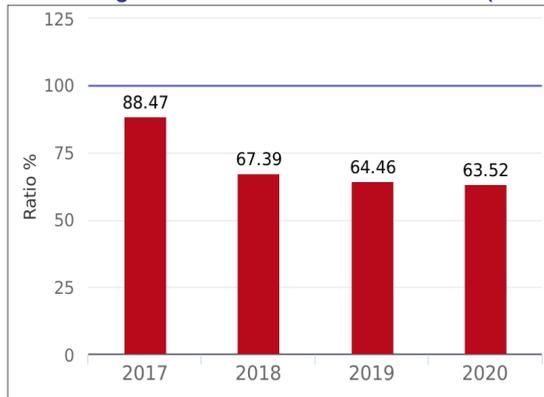
Delivery of renewal projects progressed more slowly than budgeted. The delivery of major urban renewal projects, and the initial disruption of the Covid-19 pandemic negatively impacted upon delivery capacity. Measures were implemented in late 2019/20 to 'fast-track' certain renewal works, which is expected to have a positive effect on ratio performance during 2020/21.

Benchmark: — $\geq 100.00\%$

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

Ratio achieves benchmark (Green)
Ratio is outside benchmark (Red)

1a. Buildings and infrastructure renewals ratio (alternate)



Purpose of 1a. buildings and infrastructure renewals ratio (alternate)

To assess the rate at which these assets are being renewed relative to the required level of renewal identified in Council's Asset Management Plan.

Commentary on 2019/20 result

2019/20 ratio 63.52%

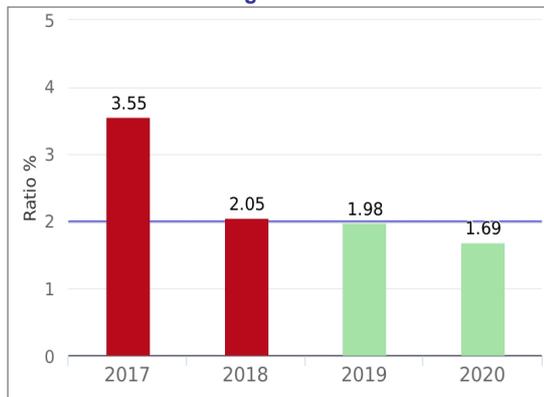
Required renewal reflects projections included in the Asset Management Plan (part of the Resourcing Strategy). Delivery of renewal projects progressed more slowly than anticipated. The impact of major urban renewal projects on delivery capacity has also reflected negatively on performance.

Benchmark: — $> 100.00\%$

Source of benchmark:

Ratio achieves benchmark (Green)
Ratio is outside benchmark (Red)

2. Infrastructure backlog ratio



Purpose of infrastructure backlog ratio

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

Commentary on 2019/20 result

2019/20 ratio 1.69%

The marginal improvement in this ratio is largely a result of an uplift of asset values as a result of revaluations. Efforts to improve asset condition data are ongoing. Effective utilisation of asset service potential remains a priority and renewal works are targeted to maximise asset life.

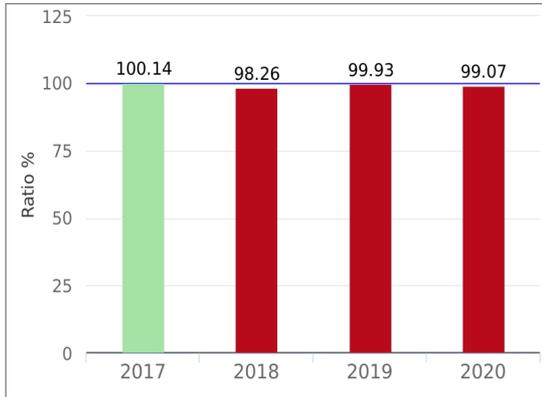
Benchmark: — $< 2.00\%$

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

Ratio achieves benchmark (Green)
Ratio is outside benchmark (Red)

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

3. Asset maintenance ratio



Purpose of asset maintenance ratio

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

Commentary on 2019/20 result

2019/20 ratio 99.07%

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: — > 100.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

4. Cost to bring assets to agreed service level



Purpose of cost to bring assets to agreed service level

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

Commentary on 2019/20 result

2019/20 ratio 1.86%

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.

Attachment B

**Draft Auditor's Report on the 2019/20
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: D2019113/1791

October 2020

Dear Lord Mayor

**Draft Report on the Conduct of the Audit
for the year ended 30 June 2020
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 2020 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 2020 will be 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

	2020	2019*	Variance
	\$m	\$m	%
Rates and annual charges revenue	360.5	354.8	↑ 1.6
Grants and contributions revenue	101.6	74.5	↑ 36.3
Operating result from continuing operations	105.7	94.5	↑ 11.9
Net operating result before capital grants and contributions	19.4	34.4	↓ 43.6

Rates and annual charges revenue increased by \$5.7 million (1.6 per cent) to \$360.5 million in 2019–20.

Grants and contributions revenue (\$101.6 million) increased by \$27.1 million (36.4 per cent) in 2019–20 mainly due to an increase in developer and other non-cash contributions revenue.

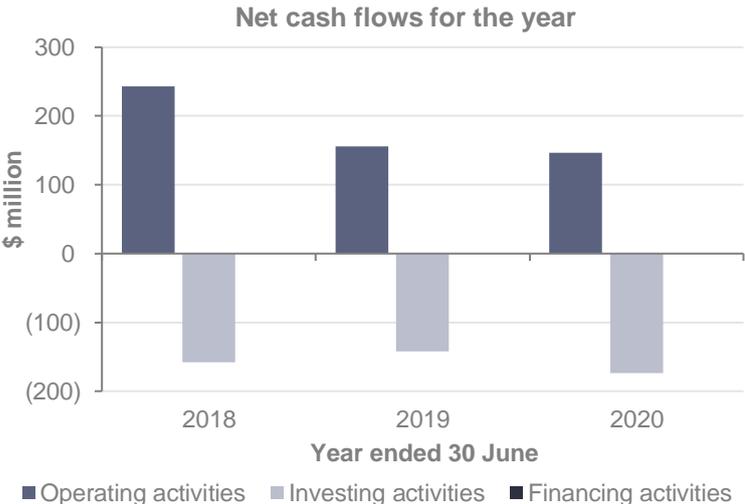
The Council's operating result from continuing operations of \$105.7 million (including depreciation and amortisation expense of \$116.6 million) was \$11.2 million higher than the 2018–19 result. This increase resulted from the net impact of the following:

- first time recognition of Heritage Floor Space rights awarded for the Capitol Theatre, Haymarket valued at \$20.7 million
- final milestone payment of \$41.1 million to Transport for New South Wales towards the light rail contribution did not occur in 2019–20 due to delays in the achievement of project milestones and was not paid until August 2020. This contributed to the decrease in other expenses by \$64.3 million from 2018–19 that included the Council's light rail contribution payment of \$63.6 million
- increase in grants and contributions revenue by \$27.1 million
- decreases in rental income by \$13.3 million reflecting impacts of COVID-19 and rental relief for eligible tenants by applying the *National Code of Conduct for commercial tenancies*
- fair value increment on investment properties of \$5.2 million compared to \$58.4 million in the prior year.
- decrease in parking income and fines by \$15.3 million as a result of reduced demand for parking and lower traffic volumes in the city as more people worked from home due to COVID-19
- increase in employee benefits and on-costs by \$12.15 million
- increase in depreciation and amortisation expenses by \$9.7 million due to newly completed capital works and adjustments as a result of componentisation of buildings.

The net operating result before capital grants and contributions (\$19.4 million) was \$14.9 million lower than the 2018–19 result.

STATEMENT OF CASH FLOWS

Operating cash inflows are slightly lower than last year mainly due to COVID-19 impact on operations. Cash outflows from investing activities increased due to higher spend on capital projects during 2019–20. The Statement of cash flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	116.6	118.3	• Externally restricted balances include cash reserves earmarked for specific purposes such as developer contributions and domestic waste management changes.
Internal restrictions	328.7	252.4	
Unrestricted	187.6	252.8	
Cash and investments	632.9	623.5	<ul style="list-style-type: none"> • 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. • Unrestricted balances provide liquidity for day-to-day operations.

PERFORMANCE

Performance measures

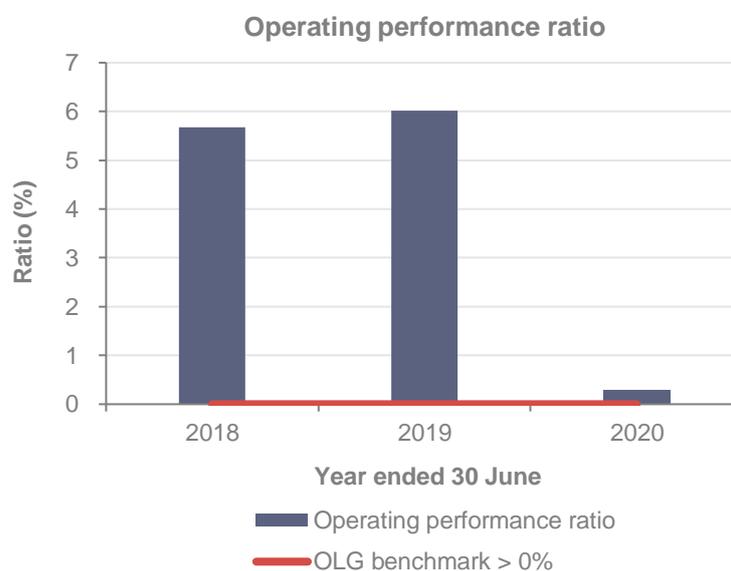
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

Council has met this OLG benchmark for 2019–20.

The decrease in the operating performance ratio is mainly due to the COVID-19 pandemic leading to lower revenues from user charges. Commercial property, enforcement and parking revenue were significantly impacted.

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 OLG is greater than zero per cent

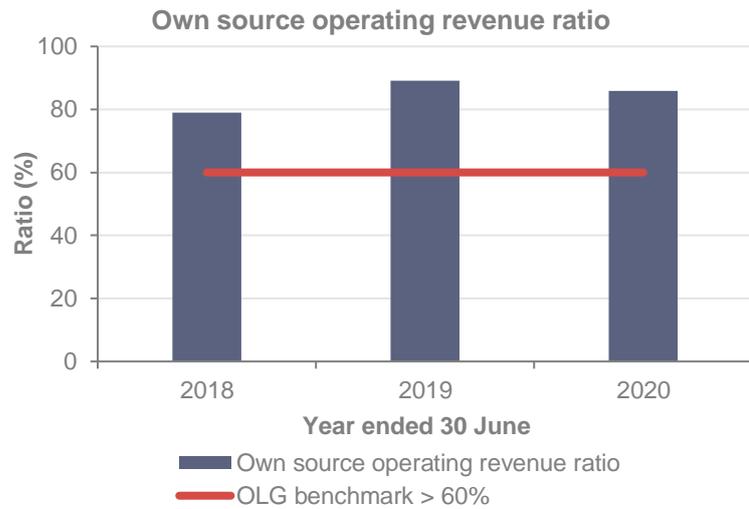


Own source operating revenue ratio

Council's own source operating ratio continues to exceed the benchmark over the past three years. The ratio fluctuates with movements in grants and contributions.

The ratio slightly decreased in 2019–20 due to reductions in key revenue streams of property rental, enforcement and parking revenue.

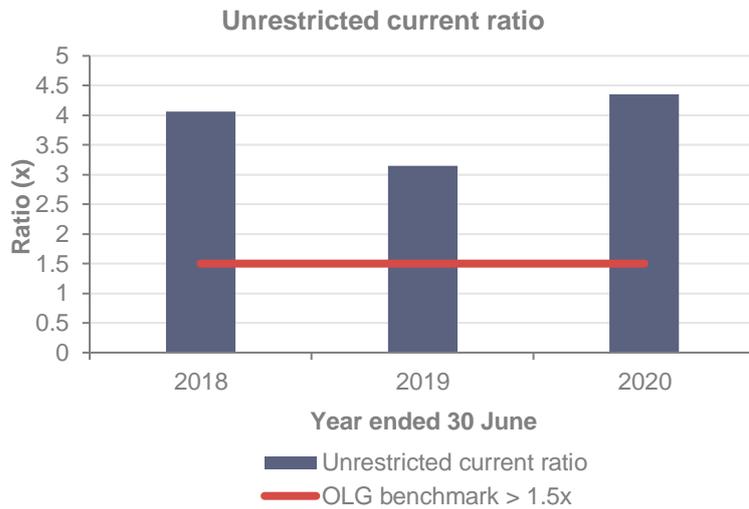
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continues to exceed the benchmark. The uplift in the ratio for 2019-20 reflects the Council's approach to investment activity by holding a larger proportion of cash and investment at short maturities, in order to manage uncertainty during the COVID-19 pandemic.

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

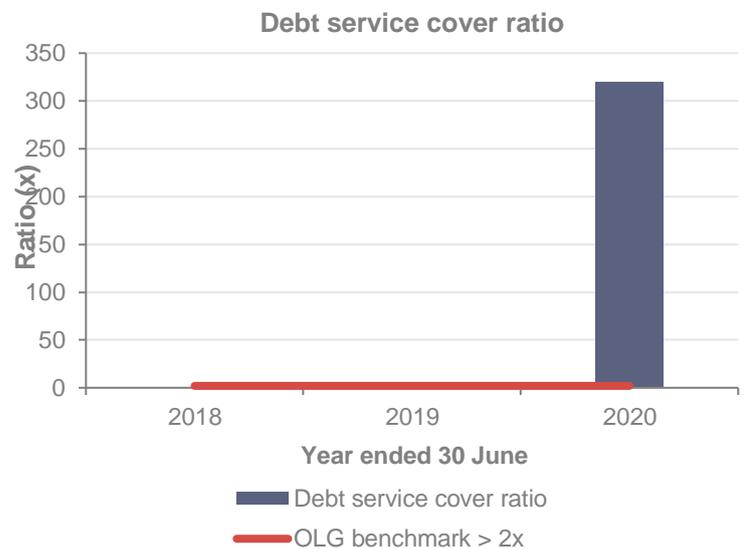


Debt service cover ratio

Council, to date, has remained debt-free and can meet its delivery program due to adequate operating surpluses and cash reserves.

The ratio reflects the implicit interest recognised in relation to a property lease under the new accounting standard AASB16 'Leases'.

The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments.

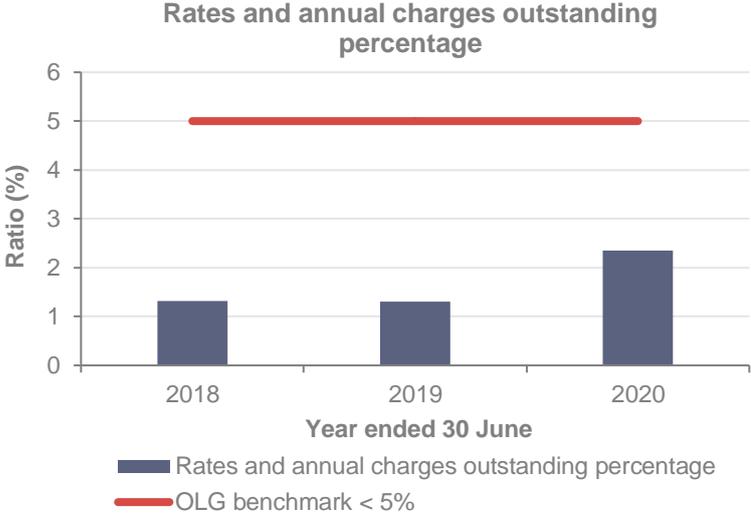


Rates and annual charges outstanding per centage

Council rates and annual charges outstanding ratio has remained below 2.5 per cent over the last three years, below the benchmark of 'less than 5 per cent'.

The increase in 2019–20 is due to the COVID-19 pandemic, which has affected the capacity of some ratepayers to meet instalment payments.

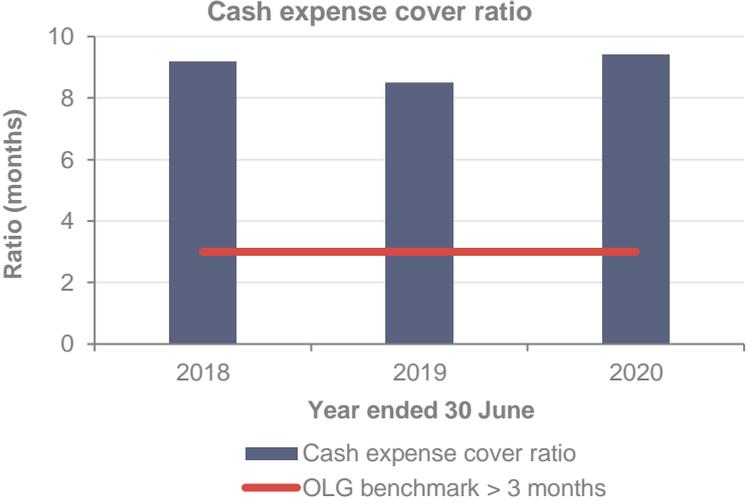
The 'rates and annual charges outstanding per centage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

Council continues to exceed the benchmark due to operating surpluses and cash reserves.

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



Infrastructure, property, plant and equipment renewals

Council's performance is as follows:

- asset renewals were \$46.8 million in 2019–20 compared to \$39.9 million the prior year. The increase is primarily due to road and office equipment renewals
- during 2019–20, \$207.9 million was spent on new assets (\$128.7 million in 2018–19) including \$44.5 million for the purchase of operational land and \$18.8 million on buildings, \$57.6 million on stormwater drainage and \$43.3 million on roads infrastructure.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council recognised a \$0.09 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 18.

AASB 16 'Leases'

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

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

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

The Council recognised right-of-use assets and corresponding lease liabilities of \$13.8 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 18.

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

Item 3.

Audit Risk and Compliance Committee Annual Report to Council 2019/20

File No: S083523

Summary

The Audit Risk and Compliance Committee is required to report annually to Council. This report covers the period from 1 July 2019 to 30 June 2020.

The Audit Risk and Compliance Committee is responsible for oversight and monitoring of the City's audit, risk and governance activities, including reviewing the implementation of recommendations resulting from internal audit, compliance and governance reviews.

The Audit Risk and Compliance Committee highlights the following key points for 2019/20:

In response to the onset of Covid-19, the Audit Risk and Compliance Committee sought additional assurance on the City's response to the pandemic. This included advice on the City's approaches to ensuring the safety of its workforce, steps taken to move to remote working and additional IT controls and other hygiene and security measures.

The Audit Risk and Compliance Committee sought assurance on the management of the City's assets including the closure and maintenance of Council facilities and the adoption of relevant signage and other material to encourage social distancing, hand hygiene, etc. Briefings were provided on the financial impacts of Covid-19 on the City, including term of revenue loss, additional expenditure and the impact of the cessation of scheduled major events. The Audit Risk and Compliance Committee was also briefed on Council initiatives to support community groups, stranded international students and other measures to assist business in the CBD and ratepayers.

The Audit Risk and Compliance Committee previously reviewed the City's business continuity and disaster recovery plans and notes their effectiveness in responding to this current crisis. The Audit Risk and Compliance Committee is also cognisant of the City's role in broader disaster planning and response management in conjunction with the NSW Government's emergency operations centres.

The Audit Risk and Compliance Committee notes the Audit Office of NSW is responsible for conducting financial and performance audits of all NSW local government entities and is continuing as the external auditor for the City of Sydney. With the onset of Covid-19, the Audit Office adopted remote working and assessment procedures and in conjunction with solid work by the City's finance team (and in extenuating circumstances), delivered the audit of the financial accounts on time. The Audit Risk and Compliance Committee thanks them for their efforts in these difficult times. The Audit Risk and Compliance Committee also notes the impact of Covid-19 on the internal audit program with audits deferred or re-prioritised in response to the City's resources and access to key staff and records due to remote working.

Recommendation

It is resolved that Council note the Audit Risk and Compliance Committee's 2019/20 Annual Report, as shown as Attachment A to the subject report.

Attachments

Attachment A. Audit Risk and Compliance Committee Annual Report for 1 July 2019 to 30 June 2020

Background

1. The Audit Risk and Compliance Committee is required by its Charter to report annually to Council. This report covers the period from 1 July 2019 to 30 June 2020.
2. The primary objectives of the Audit Risk and Compliance Committee are to:
 - (a) assist the Council in discharging its responsibilities in relation to:
 - (i) financial reporting practices;
 - (ii) business ethics, policies and practices;
 - (iii) accounting policies;
 - (iv) risk management and internal controls; and
 - (v) compliance with laws, regulations, standards and best practice guidelines; and
 - (b) ensure the integrity of the internal audit function.
3. The Council authorises the Audit Risk and Compliance Committee, within the scope of its role and responsibilities, to:
 - (a) obtain any information it needs from any employee or external party (subject to their legal obligations to protect information);
 - (b) discuss any matters with the external auditor or other external parties;
 - (c) request the attendance of any employee or councillor at Audit Risk and Compliance Committee meetings; and
 - (d) subject to confidentiality considerations, obtain external legal or other professional advice considered necessary to meeting its responsibilities.

Key Implications

Strategic Alignment - Sustainable Sydney 2030

4. Sustainable Sydney 2030 is a vision for the sustainable development of the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress. This report is aligned with the following strategic directions and objectives:
 - (a) Direction 10 - Implementation through Effective Governance and Partnerships - The Audit Risk and Compliance Committee's operations meet the Internal Audit Guidelines issued by the Office of Local Government and the Audit Risk and Compliance Committee Charter approved by Council. A risk-based internal audit program has been undertaken to provide an independent and objective assurance review of the City's operations. The Committee reviews all internal audit reports and monitors the implementation of recommendations at its meetings. Additionally, the Committee reviews the external auditor's reports. The Committee also monitors the implementation of the risk management, governance and compliance programs and receives briefings on significant matters relevant to the City's operations.

Relevant Legislation

5. The Internal Audit Guidelines issued by the Office of Local Government (September 2010) are in accordance with section 23A of the Local Government Act 1993. A council must take any relevant guidelines issued to this section into consideration before exercising any of its functions.

KIRSTEN MORRIN

Director Legal and Governance

Debra Marschall, Business Support Officer - Internal Audit

Attachment A

**Audit Risk and Compliance Committee
Annual Report
for 1 July 2019 to 30 June 2020**

1. INTRODUCTION

The Audit Risk and Compliance Committee (ARCC) plays an important role in the City of Sydney Council's governance framework. Its primary objectives are to assist Council in discharging responsibilities with respect to:

- financial reporting;
- business ethics, policies and practices;
- accounting policies;
- risk management and internal controls;
- regulatory compliance; and
- alignment with standards and best practice guidelines.

The ARCC provides advice to Council on the integrity of the City's assurance functions, including internal audit, risk management and governance.

The Committee's Charter sets out the ARCC's role and responsibilities and provides for oversight of the internal and external audit functions. Its structure and operations conform to the Office of Local Government guidelines issued in September 2010 and follow best practice in the monitoring of finance, audit, risk management, compliance and governance activities within the City.

This annual report covers the period 01 July 2019 to 30 June 2020.

2. MEMBERSHIP

In accordance with its Charter, the Committee comprises two members of Council and three independent members, one of whom holds the role of Independent Chair.

Members – Council:

- Lord Mayor Clover Moore
- Councillor Jess Scully (from September 2016)
- Councillor Robert Kok (from September 2017, as the Lord Mayor's alternate)
- Councillor Jess Miller (from October 2019 – November 2019, as Cr Scully's alternate)

Members – Independents:

- Elizabeth Crouch AM (appointed July 2013, reappointed August 2016, Chairperson since October 2014, appointment as Chairperson to conclude on 30 June 2021)
- Ken Barker (appointed October 2014, reappointed October 2018 to 30 November 2022)
- Carolyn Walsh (appointed October 2014, reappointed October 2018 to 30 November 2022).

Ex-officio attendees include:

- Chief Executive Officer
- Director Legal and Governance
- Chief Financial Officer
- Manager Risk and Governance
- Chief Internal Auditor

Invitees include:

- Representatives of the Audit Office of New South Wales
- Other officers, as requested by the Committee to present on priority issues.

3. MEETINGS AND ATTENDANCE

The Audit Risk and Compliance Committee (ARCC) meets a minimum of five times annually to consider matters relating to the financial, audit and risk management issues of the City of Sydney. In 2019/20 the ARCC:

- considered the City's enterprise risk management framework;
- received regular reports on workplace health and safety and other compliance related matters, including safety considerations/requirements during procurement and infrastructure delivery/construction processes;
- received briefings or updates on:
 - Covid-19 and the implications for the City;
 - the City's pandemic plan;
 - Bushfire Recovery Group;
 - progress on Resilient Sydney;
 - Sustainable Sydney 2050;
 - the City's Data Strategy;
 - EU General Data Protection Regulation (GDPR);
 - the City's Cybersecurity Framework and Action Plan;
 - an independent review of superuser access and activity monitoring;
 - the transition of the Facilities Management and Property Management agreements;
 - progress with the City's Asset Management Improvement Plan;
 - Child Protection Reforms; and
 - fleet insurance claims, processes and the installation of telematics in fleet vehicles.
- maintained oversight of risks recorded in the City's risk register including consideration of new risks that reflected changes to the City's operational environment and risk appetite;
- reviewed the City's controls and fraud and corruption reporting framework (March 2020);
- focused internal audit activity in line with the risk profile and governance arrangements for the City;
- maintained oversight of financial reporting and endorsement of the financial statements including securing relevant attestations from the Chief Financial Officer;
- reviewed the NSW Audit Office audit report and performance audit activity relevant to the City of Sydney;
- assessed whether appropriate policies and procedures were in place and routinely reviewed those related to delegations, making recommendations on changes as appropriate;
- in-camera session with the Lord Mayor on the City's response to Covid-19; and
- attended a site visit at the Alexandra Canal Depot, including holding an ARCC meeting on site.

During the 2019/20 reporting period the Committee held five meetings, with a quorum present at all meetings.

The City of Sydney has adopted a staggered approach to rotation of ARCC independent members, including the Chairperson, to ensure continuity of knowledge and skills. Each independent member is pre-qualified on the NSW Treasury Panel for NSW Government Audit and Risk Committees. Prior to the expiration of each member's current term, the Committee will consider the merits of extending current members or sourcing alternative members. The Chief Executive Officer, in consultation with the Lord Mayor, confirms all new appointments or reappointments.

4. INTERNAL AUDIT

The role of Internal Audit is to provide independent assurance to Council's operations. It assists Council by evaluating and assessing the effectiveness of risk management, control and governance processes.

The City's Internal Audit is led by a chief audit executive (Chief Internal Auditor) with a support officer, with field work undertaken through an outsourced model. A panel of two service providers (RSM Australia and O'Connor Marsden & Associates) provide these outsourced internal audit services.

For the 2019/20 reporting period, the Audit Risk and Compliance Committee:

- approved the strategic audit program for the period 2020-2023 and the annual audit plan (2020/21);
- considered regular reports from the Chief Internal Auditor on progress against the plan;
- reviewed the Internal Audit Charter (with minor amendments); and
- received audit reports, as well as updates, from the Chief Internal Auditor on the status of actions taken by management to address high-risk rated findings identified in previous audit reports.

Of the 22 scheduled audits for FY2019/20, 12 reviews were tabled, one was withdrawn, seven were not completed by 30 June due to Covid-19 related delays on the client side, and two were deferred to FY2020/21 by request, again due to Covid-19 related issues in essential service areas. All seven delayed audits are now in draft and ready to be finalised. The Committee supported the steps undertaken by management to address any recommended actions.

The Committee is satisfied that the internal audit plan is aligned with and responds to the major risks identified in the City's risk profile.

Monitoring Outstanding Internal Audit Action Items

There are a number of processes employed by the City to monitor management actions arising from audit recommendations and ensure these are being actioned. These processes include:

- ensuring each Director is accountable for monitoring the status of outstanding issues for their respective Divisions including reporting completion details to Internal Audit throughout the year;
- regular internal audit status reporting to the Executive to assist in monitoring progress of outstanding audit actions; and
- reporting all overdue management action items to monitor implementation and providing follow-ups at each meeting of the Audit Risk and Compliance Committee.

For FY2019/20 the Committee reviewed four internal audits in which high risk issues were identified:

- 1) IT Disaster Recovery Plan (one high risk issue);
- 2) Working with Children – Contracted Service Providers (two high risk issues);
- 3) Review of Pathway Application - Modules used by City Planning, Development and Transport Division (one high risk issue); and
- 4) Data Governance Framework Review (one high risk issue).

Please refer to “Satisfactory” section of Table 2 below for further details.

The Committee receives regular reports on the appropriateness of the management actions taken on high-rated, closed actions items through follow-up reviews and closing audits. The rating scale applied to internal audit reports is tabled below.

Table 1: Rating scale for internal audit reports

Report Risk Rating	Definition
Unsatisfactory	Numerous very high and/or high risk issues
Requiring improvement	A small number of very high or high risk issues and/or many medium risk issues
Satisfactory	Only isolated instances of high issues and/or a small number of medium risk issues
Low	Only isolated instances of low to medium risk issues
Not Rated	Applies to focused reviews where a rating may not be representative of the overall control environment. High-level or specific reviews where only a small section of an area/process is examined, and investigation outcomes are not rated.

Table 2: Internal Audits tabled at Audit Risk and Compliance Committee meetings

Rating: Not rated	
Engagement Name	Engagement Objective and Outcomes
Asset Management Framework Review	<p>This engagement was undertaken to assess the City's existing Asset Management Framework against the ISO 55000 Asset Management Standard. This review looked at the asset owner's management of assets and supporting corporate functions having a direct impact and influence on asset management.</p> <p>The overall objective was to identify gaps in current asset management practices and develop a prioritised improvement road map for implementation. This process involved interviewing key staff, reviewing corporate policies, strategies, asset management documents, and asset operational documents and procedures.</p> <p>The City has a number of existing asset management improvement initiatives that are being progressed across the organisation in data management, mobile solutions, asset handover and reengineering the Asset Management Framework.</p> <p>Completed recommendations as at 08 October 2020: 2 Recommendations in progress: 14</p>
Review of Access to RMS DRIVES24	<p>The City has renewed a five-year DRIVES24 Terms of Access Agreement for Local Government which is in place with TfNSW's Roads and Maritime Services. Requirements of the Terms of Access Agreement include an annual audit of access and security, and the issue to RMS of a compliance certificate signed by the CEO and Chief Internal Auditor. There were no recommendations or improvement opportunities arising from this review.</p>
Review of Fleet Services Management of Procurement	<p>This review was undertaken to provide a limited assurance conclusion on the adequacy of the City's Fleet Management procurement processes and controls.</p> <p>Key objectives of the review included evaluating Fleet Services compliance with the City's procurement policies and procedures; assessing the end-to-end controls of the procurement process from the approved service specification to acquisition; determining whether all relevant and appropriate procurement documentation is stored as required in TRIM (the City's records management system); and identifying opportunities to enhance the efficiency and effectiveness of Fleet Services' procurement processes and related systems. Two low rated items were identified, concerning some relatively minor inconsistencies between policy and practice.</p> <p>Completed recommendations as at 08 October 2020: Nil Recommendations in progress: 2 (low)</p>
Treasury Management Review	<p>The engagement was undertaken to provide a limited assurance conclusion on the adequacy of the City's processes and controls relating to treasury management, including liquidity and the mitigation of operational, financial and reputational risk.</p> <p>The City must comply with the Local Government Act (LGA) 1993 No. 30 and the Local Government (General) Regulation 2005. This includes principles of sound financial management and funding requirements. In accordance with the provisions of Section 409(1) of the LGA, the City must have a consolidated fund and trust fund. Cash for general purpose operations is held in the consolidated fund and the City must establish and maintain at least one account with an authorised deposit-taking institution (ADI).</p>

	<p>Observations of good practice were noted during the audit and communicated to management. These included: Investment Policy and Strategy has been developed and are scrutinised at the Council's Corporate, Finance, Properties and Tenders Committee; and the City's Finance team have implemented formal processes to apply the Socially Responsible Investment (SRI) policy.</p> <p>Controls within the treasury management function are operating effectively. There were no audit recommendations arising.</p>
<p>Pre-Implementation Transformation Project Governance "Health Check"</p>	<p>The scope of this engagement was to conduct a project governance "health check" on the design and execution of recommendations made within the Project Governance Review Recommendations Report (Report) for the Project Management Office within the Chief Operations Office.</p> <p>Specific objectives included reviewing the City's processes for the development of the eight recommendations in the Report; whether there are gaps in recommendations made within the report; and any additional areas of potential project risk that have not been captured.</p> <p>This internal audit identified some opportunities for improvement, based on the assumption that the Report findings will be undertaken.</p> <p>There were no material control issues identified during this audit, and no audit recommendations arising.</p>
<p>Green Infrastructure Projects Review</p>	<p>The primary objective of the engagement was to review the performance and adequacy of the City's processes and controls for Green Infrastructure projects, and focussed on activities of the Green Infrastructure unit. The audit reviewed and evaluated a representative sample of green infrastructure projects: Town Hall Trigenation Precinct, ITAC Cogeneration, Cook and Philip Park Energy Services, Sydney Park Water Harvesting, and Renewable Energy Fund Projects (Solar Panels). It was noted that Green Infrastructure Projects are often developed, implemented, and maintained by different business units. As such, coordination and prioritisation of projects and management of stakeholder expectations, with respect to achievement of their own specific objectives, is critical.</p> <p>Good practices were in place, including well-considered and approved project plans and initiation briefs, prioritisation of projects (including analysis of emission reductions and alignment with Sustainable Sydney 2030), effective stakeholder engagement, regular status update reporting by project managers, and appropriate coordination and tracking of asset environmental budgets and performances against Sustainable Sydney 2030 targets.</p> <p>The two medium rated findings related to: (1) project documentation not being available or provided to Green Infrastructure team on handover of some projects; and (2) not all business units have objectives that completely incorporate the Sustainable Sydney 2030 strategy.</p> <p>Recommendations in progress as at 08 October 2020: 6 (all medium, none overdue)</p>
<p>Fire Safety Program Review</p>	<p>The primary objectives of the review included performing a gap analysis between mandatory fire safety requirements (including legislative) and the program/framework the City has in place to meet them; assessing the City's compliance against internal policies, procedures and practices; assessing the steps taken by the City in relation to combustible cladding, including building assessment prioritisation; and ensuring that the recording and assessment of fire safety issues and complaints and correspondence with relevant parties is in accordance with the City's risk management framework and document retention policies.</p> <p>Overall, the audit identified that the City has developed an effective fire</p>

	<p>safety program to help ensure compliance by building owners for preventing building fires and minimising their impact. These include the monitoring and actioning of overdue annual fire safety statements that are made by building owners.</p> <p>No material instances of non-compliance on the part of the City were identified.</p> <p>Recommendations in progress: 2 (both low, neither overdue)</p>
<p>Third Party Events Review</p>	<p>The objective of the engagement was to provide limited assurance that there were effective controls in place around the management of third party events processes. The audit focused on controls in relation to the management of third party events. The audit did not review event contingency planning arrangements for emergency management and business continuity objectives.</p> <p>Observations of good practice were particularly noted for the Ungerboeck event business management software system and detailed event / filming related guidelines.</p> <p>The audit identified a medium rated matter related to record keeping, whereby some documentation in support of the third party event / filming event had not been retained on file and could not be located, was not fully completed or signed off, and in some instances not available to confirm that the City had properly approved the event. Although the unit requests that these be signed and returned by clients, the City's lawyers confirmed some years ago that these documents form a statutory approval, and as such do not require signatures to be valid. Legal Services at the City confirmed the following:</p> <p><i>There is no legal requirement for an applicant to sign the final approval issued by the City to make it valid and enforceable.</i></p> <p><i>Section 68 of the LG Act sets out that a person may only carry out an activity specified in the Table to s68 with prior approval of the Council (except for specified circumstances not relevant here). Division 3 of Part 1 sets out the process for making an application, assessment and determination. Council can approve an application, approve it with conditions or refuse an application. Once Council has determined the application and notified the applicant, the approval has force. The applicant can seek a review of the decision, for example, to seek review of a decision to refuse the application or review conditions. However, once the applicant takes the approval up, it becomes enforceable.</i></p> <p>The use of a checklist will be incorporated as part of the approval process. Given the prevailing pandemic situation, this control checklist will provide a useful tool to ensure any health and safety requirements are acknowledged and addressed.</p> <p>Outstanding recommendations as at 08 October 2020: 1 (medium, overdue)</p>

Rating: Satisfactory ⁽¹⁾	
Engagement Name	Engagement Objective and Outcomes
IT Disaster Recovery Plan	<p>This review was undertaken to provide a limited assurance conclusion on the adequacy of the City's IT disaster recovery planning processes.</p> <p>The review identified one high and two medium risk issues, relating to (1) Misalignment of IT DRP and Organisational Business Continuity Action Plan (BCAP) timeframes [High]; (2) Outdated IT DRP and TDS BCAP documents [Medium]; and (3) No formal documented IT DR and Backup restoration testing schedule [Medium]. Based on the findings above, we have assessed the City's IT DRP Capability Maturity as "Level 3 - Defined".</p> <p>Completed recommendations as at 08 October 2020: 4 (3 x medium, 1 x low)</p> <p>Recommendations in progress: 1 (high, not overdue)</p>
Working with Children – Contracted Service Providers	<p>The primary objective of the engagement was to review the adequacy of the City's processes and controls relating to the engagement, management and monitoring of contracted service providers who are working with children.</p> <p>High-risk issues relate to: (1) Child protection obligations not consistently identified and documented; and (2) Contractor induction forms not incorporating child safety. The medium risk issue relates to contractor monitoring and performance evaluation process not including child safety.</p> <p>Completed recommendations as at 08 October 2020: 1 (high)</p> <p>Recommendations in progress: 7 (1 x high, overdue; 4 high, not overdue; 2 x medium, not overdue)</p>
Review of Pathway Application (Modules used by City Planning, Development and Transport Division)	<p>The objective of this internal audit was to provide limited assurance that the Pathway system controls for the City Planning, Development and Transport Division are appropriately designed, implemented and operating effectively. This was achieved by assessing the adequacy of Pathway module (system) and process controls around data input, data processing and output controls.</p> <p>The review identified one high rated risk: Access rights to the Pathway application were not current at the time of audit fieldwork with 44% of users listed as having access no longer employees of the City of Sydney. Technology and Digital Services (TDS) have updated their distribution list for the "Staff Departure Form", which notifies that a person is leaving the employment of the City and states their date of departure. If the person has a Pathway account, the off boarding steps are carried out on the day after the advised date of departure.</p> <p>All recommendations were completed as at 08 October 2020 (1 x high; 2 x low)</p>

Data Governance Framework Review	<p>The primary objective of the engagement was to review the adequacy and effectiveness of the City's Data Governance Framework designed to ensure the security, integrity, confidentiality, and availability of the data held, and alignment with applicable legislative requirements and best practice.</p> <p>The review identified one high risk issue related to the need to develop a formal Data Governance Strategy.</p> <p>Outstanding recommendations as at 08 October 2020: 3 (1 x high; 2 x low, none overdue)</p>
Rating: Requiring improvement ⁽¹⁾	
Engagement Name	Scope of Work
Note: No reviews were rated at requiring improvement during the financial year.	
Rating: Unsatisfactory	
Note: No reviews were rated as unsatisfactory during the financial year.	

(1) The Audit Risk and Compliance Committee supports steps being taken by management in response to the findings arising from all audits.

The following table summarises the City's management of internal audit actions/recommendations at the end of each financial year. These actions are assigned to a Division or business unit to be actioned by an agreed date.

The ARCC is actively monitoring the status of outstanding action items to ensure timely closure of relevant items. There were no high-rated actions overdue as at 30 June 2018, 30 June 2019, and 30 June 2020. (Note: There were a few high-rated recommendations that became overdue after 30 June 2020.) The Audit Risk and Compliance Committee and Internal Audit are satisfied with the progress of outstanding and overdue actions as at 30 June 2020.

Table 3: Management of internal audit actions/recommendations

Year	Outstanding Actions at Start of Year	New Actions from Audits	Actions closed	Current Actions at Year End	Actions Overdue ⁽¹⁾
30/06/2017	85	97	153	29	7
30/06/2018	29	61	74	16	5 ⁽²⁾
30/06/2019	16	62	30	48	6 ⁽²⁾
30/06/2020	48	63	64	47	9

(1) Actions not completed by the agreed date.

5. FORWARD AUDIT PLAN - FY2020/21

The updated 3-Year Strategic Audit Program, incorporating the 1-Year Operational Audit Plan, was endorsed by the Executive and approved by the Audit Risk and Compliance Committee on 02 July 2020.

The approved plan comprises a risk-based program of 15 audit assignments. These were identified not only using (and mapped to) the City's Executive Risks, but also the City's Improvement Focus Areas:

- Community & Customer;
- Our People;
- Processes;
- Data;
- Digitally Enabled Systems; and
- Financially Sustainable.

Additionally, an audit risk assessment of key business performance themes (expenditure, revenue, environment, business performance, business resilience, compliance, fraud and corruption control, and attestation requirements) was performed.

6. EXTERNAL AUDIT

Following amendments to the *Local Government Act 1993*, the Audit Office of New South Wales formally notified the City in 2016 that they will resume their role as the City's external auditors for 2016/17 and beyond.

The external auditor provides independent audit opinions on both the general and special purpose financial reports of Council. They are also required to audit the statutory returns relating to a number of the City's activities.

The Chief Internal Auditor meets with representatives of the external auditor periodically to provide insights on the control environment and to minimise overlap of audit areas of focus.

The external auditor is invited to attend each ARCC meeting as well as join the Committee on site visits as appropriate.

During the 2019/20 financial year, the ARCC:

- considered the program and status reports covering the preparation of the previous financial year (2018/19);
- received and noted the external auditor's letter covering the final audit for 2018/19;
- considered and endorsed the 2018/19 General and Special Purpose Financial Reports prior to Council's authorisation;
- reviewed Directors' attestations; and
- reviewed the external audit plan for 2019/20.

7. RISK MANAGEMENT

For the 2019/20 reporting period the ARCC received presentations and updates on:

- implementation of enterprise risk management within the City;
- changes to the City's risk profile;
- the City's financial position and status;
- City resilience;
- progress of the capital works program and other major initiatives;
- the City's insurance placement and claims management programs; and
- reports on Workplace Health and Safety management at the City.

The Committee also considered and provided comment to the Executive on the City's strategic risks.

8. LEGAL, GOVERNANCE AND COMPLIANCE

For the 2019/20 reporting period the ARCC received:

- updates on major governance, compliance and legal matters;
- financial and non-financial delegations to contractors; and
- briefings on any material litigation affecting the City.

9. FRAUD AND CORRUPTION PREVENTION

For the 2019/20 reporting period the ARCC received updates on:

- governance activities and fraud and corruption prevention activities;
- the revised fraud and corruption prevention plan for the City; and
- any current issues, investigations and outcomes.

There were two investigations arising from two public interest disclosures during this period. One of these matters alleged partial treatment in the recruitment process. The matter was investigated and the allegation was not substantiated. The second matter alleged corrupt conduct. Initial investigation and preliminary interviews have been completed. Investigation into this matter is ongoing.

10. REVIEW OF WORK HEALTH SAFETY

The ARCC regularly reviews workplace health and safety updates, including injuries, notifiable incidents and workers compensation claims.

11. OTHER

The ARCC is satisfied that the City has:

- appropriate mechanisms in place to review and implement relevant State Government reports and recommendations related to local government; and
- developed a performance management framework linked to organisational objectives and outcomes.

The Committee assesses the currency of its Charter and its performance annually.

ELIZABETH CROUCH

Chair, Audit Risk and Compliance Committee
October 2020

Item 4.

Investments Held as at 30 September 2020

File No: X020701

Summary

This report provides details of the City's investment portfolio and performance to 30 September 2020.

The City's total Investment and Cash position was \$642.0M at the end of September, with investments earning interest of \$0.6M for the month.

The Covid-19 pandemic has created significant uncertainty in financial markets. One of the measures the Reserve Bank of Australia (RBA) has used to respond to the crisis is by reducing the official cash rate downward. It was reduced first on 3 March 2020, to 0.50 per cent and again on 20 March 2020 when it was further reduced to 0.25 per cent. In addition, the RBA launched its Term Funding Facility. This facility, now in the order of \$200 billion, has reduced the funding costs of Authorised Deposit-Taking Institutions (ADIs). The market has responded by reducing the rates on offer and the resultant lower investment yields continue to have a sustained adverse impact on the City's portfolio return.

The City's cash inflows have also been negatively impacted as the economic consequences of the pandemic affect major revenue streams including parking services, commercial property income and the timely payment of rates and annual charges. Lower cash balances combined with lower rates of returns on financial investments will continue to affect the City's interest revenue.

The majority of the City's cash and investments portfolio is held as internally restricted (\$328.7M) or externally restricted (\$41.1M) cash reserves, to satisfy the City's legislative responsibilities and to set aside specific funds for Council's funding commitments to the major initiatives within the Sustainable Sydney 2030 Community Strategic Plan.

Key commitments within the City's Long Term Financial Plan include public domain works in the CBD, infrastructure and community facilities in the Green Square urban renewal area and open space acquisitions. The balance of investment funds represents working capital and funding required for the City's operating and capital expenditure commitments, including the Covid-19 relief grants program.

The City achieved an annualised monthly return of 0.98 per cent for September, above the 30 Day Bank Bill Rate (BBR) of 0.09 per cent, the latest AusBond Bank Bill Index (published by Bloomberg) of 0.12 per cent and the enhanced benchmark of 0.54 per cent (BBR + 0.45 per cent) as endorsed in October 2019 as part of the Investment Strategy.

The City's annual rolling return of 1.16 per cent also continues to exceed the 12 month average 30 Day Bank Bill Rate of 0.45 per cent, the latest AusBond Bank Bill Index of 0.58 per cent and the enhanced benchmark of 0.90 per cent (BBR + 0.45 per cent) as endorsed in the Investment Strategy in October 2019. The report includes graphs which demonstrate that Council's liquidity profile continues to satisfy the requirements of the Policy, and charts that identify the distribution of Council's portfolio across credit ratings, investment product types and financial institutions. Separate charts depicting the City's cumulative portfolio returns over and above both the 90 day Bloomberg AusBond and 30 day Bank Bill Rate benchmarks have also been included to provide further insight into the City's total investment portfolio performance.

The structure of the City's investment portfolio continues to reflect the conservative approach outlined in the Investment Policy and Strategy, which remains appropriate for the current global and domestic economic conditions. The Policy and Strategy also maintain the City's commitment to sustainable investments where returns and risks are equivalent, under the environmentally and socially responsible investment criteria. The latest update to the Investment Policy and Strategy is the subject of a separate paper to Council within the current reporting cycle.

Recommendation

It is resolved that the Investment Report as at 30 September 2020 be received and noted.

Attachments

Attachment A. Register of Investments and Cash as at 30 September 2020

Attachment B. Investment Performance as at 30 September 2020

Background

1. In accordance with the principles of financial management, cash that is surplus to the City's immediate requirements is invested within acceptable risk parameters to optimise interest income while ensuring the security of these funds.
2. Surplus cash is only invested in authorised investments that comply with governing legislation and the City's Investment Policy and Strategy.
3. The benchmark performance goal of the City's Investment Policy and Strategy is to surpass the 30 Day Bank Bill Rate (BBR) by 45 basis points while performance also continues to be measured against the Bloomberg AusBond Bank Bill Index.
4. The City's total Investment and Cash position as at 30 September 2020 is \$642.0M, an increase of approximately \$19M from the \$623.3M reported as at 31 August 2020, reflecting operating income offset by capital works expenditure and other operational payments. A schedule detailing all of the City's investments as at the end of September is provided at Attachment A.
5. The majority of the City's cash and investments portfolio is held as internally restricted (\$328.7M) or externally restricted (\$41.1M) cash reserves, to satisfy the City's legislative responsibilities and to set aside specific funds for Council's funding commitments to the major initiatives within the Sustainable Sydney 2030 Community Strategic Plan.
6. Key commitments within the City's Long Term Financial Plan include public domain works in the CBD, infrastructure and community facilities in the Green Square urban renewal area and the acquisition of open space. The balance of investment funds represents working capital and funding required for the City's operating and other capital expenditure commitments.
7. The City achieved an annualised monthly return of 0.98 per cent for September, above the 30 Day Bank Bill Rate (BBR) of 0.09 per cent, the latest AusBond Bank Bill Index (published by Bloomberg) of 0.12 per cent and the enhanced benchmark of 0.54 per cent (BBR + 0.45 per cent) as endorsed in October 2019 as part of the Investment Strategy.
8. The City's annual rolling return of 1.16 per cent also continues to exceed the 12 month average 30 Day Bank Bill Rate of 0.45 per cent, the latest AusBond Bank Bill Index of 0.58 per cent and the enhanced benchmark of 0.90 per cent (BBR + 0.45 per cent) as endorsed in the Investment Strategy in October 2019.
9. In response to the global Covid-19 pandemic, the Reserve Bank of Australia (RBA) adjusted the official cash rate on 3 March 2020, and again on 20 March 2020 to 0.25 per cent. In addition, the RBA launched its Term Funding Facility. This facility, now in the order of \$200 billion, has reduced the funding costs of Authorised Deposit-Taking Institutions (ADIs) in turn helping to reduce the interest rates for borrowers. The market is responding by reducing the rates on offer, and the resultant lower investment yields continue to have a sustained adverse impact on the City's portfolio return. The low interest rates are anticipated to continue for the foreseeable future given the current challenging economic conditions.

10. The City's cash inflows, whilst reasonably resilient and showing signs of recovery, have been negatively impacted as the economic consequences of the pandemic affect major revenue streams including parking services, commercial property income and timely payment of rates and annual charges. Lower cash balances combined with lower rates of returns on financial investments will continue to affect the City's interest revenue.
11. This report includes graphs within Attachment B which demonstrate that Council's liquidity profile continues to satisfy the requirements of the Policy, and charts that identify the distribution of Council's portfolio across credit ratings, investment product types and financial institutions. Separate charts depicting the City's cumulative portfolio returns over and above both the 90 day Bloomberg AusBond and 30 day Bank Bill Rate benchmarks have also been included to provide further insight into the City's total investment portfolio performance.
12. The structure of the City's investment portfolio continues to reflect the conservative approach outlined in the Investment Policy and Strategy, which remains appropriate for the current global and domestic economic conditions.

Key Implications

Strategic Alignment - Sustainable Sydney 2030

13. The City's investments accord with all legislative and policy requirements, as detailed below, and continue to achieve returns above minimum benchmark rates.

Financial Implications

14. The City's investments earned interest of \$0.6M for the month of September 2020 against budgeted earnings of \$0.4M. The 2020/21 interest revenue budget anticipates a lower interest rate environment over the coming year. Diminished investment returns were offset by a higher than forecast cash balance for the month. For the same month in 2019 the City earned interest of \$1.2M on a slightly higher cash balance.

Economic

15. The extent of the local and global economic impact resulting from Covid-19 has created significant uncertainty in financial markets. Many Governments and central banks, including the Australian Government and the Reserve Bank of Australia (RBA), are implementing large scale responses to the economic crisis including coordinated stimulus measures involving significant increases in government spending and borrowing combined with large scale buying of bonds by central banks.
16. The RBA reduced the official cash rate downward twice in March. It was reduced first on 3 March 2020, to 0.50 per cent and again on 20 March 2020 when it was further reduced to 0.25 per cent.
17. The RBA has continued to indicate that the 0.25 per cent official cash rate is unlikely to be lifted until it is confident the economy has recovered sufficiently to lift annual inflation inside its target 2 per cent to 3 per cent range.

18. Historically, returns on cash (i.e. “at call” accounts) and short term investments have been quite strong. However, with the low official cash rate, market variability in monthly returns may mean the short to medium term investment returns could be flat or potentially slightly negative. The capacity for City staff to invest in a manner that meets liquidity requirements whilst achieving the “enhanced” benchmark returns (as detailed in the Investment Policy) may be limited.
19. On occasion, financial institutions will not offer term deposit rates as their own liquidity requirements are already satisfied. Since the beginning of the Covid-19 pandemic, this has occurred with increased frequency, further limiting the available range of institutions able to offer adequate returns at an acceptable credit risk under the City's Investment Policy.

Relevant Legislation

20. Council is authorised to invest its surplus cash under Section 625 of the Local Government Act 1993.
21. The Local Government (General) Regulation 2005 (Clause 212) requires the City to provide a written monthly report of all monies invested, under Section 625 of the Act.
22. The Investment Policy and Strategy was last revised in October 2019, maintaining Council's commitment to give preference to sustainable investments where returns and risks are equivalent to other investments. The revision also maintained the broadened definition of environmentally harmful activities to include specific reference to coal, gas and oil.
23. The City's investments accord with the Minister's Investment Order, the Office of Local Government's Investment Policy Guidelines, and the City's own Investment Policy and Strategy as adopted by Council on 28 October 2019.

Critical Dates / Time Frames

24. A monthly investment report must be submitted for Council's information and review within the following month.

Public Consultation

25. Consultation is regularly undertaken with a number of financial institutions and investment advisers to consider options and ensure the City continues to maximise its investment return within appropriate risk parameters.
26. City staff meet regularly with representatives of each of the ‘Big 4’ banks and NSW TCorp. At these meetings City staff actively advocate for Socially Responsible Investment (SRI) opportunities.
27. The banks acknowledge the appetite in the market for these products and they continue to investigate the development of suitable products, however it has been challenging to match the level of funds to available Socially Responsible Investment opportunities that meet the credit risk and maturity profile requirements of the City.

28. As noted in previous Investment Reports, Westpac were able to bring a Green Tailored Deposit product to market, which delivers a comparable return while achieving the City's preferred outcomes. Since November 2018, the City has invested \$70M in twelve tranches with this Green Tailored deposit.
29. In January 2020, the City invested \$5M in a Floating Rate Note (FRN) / Sustainability Bond issued by Bank Australia, based on an investment framework that meets the main guidelines for issuance of Green, Social and Sustainability Bonds in the global capital markets. This Socially Responsible investment opportunity met both the credit risk and maturity profile requirement of the City.
30. Since March 2020, the City has invested in eight tranches, totalling \$45M, in Climate Bond-certified Green Term Deposits with the Commonwealth Bank of Australia (CBA), whilst also meeting the City's risk / return profile.
31. It is evident from these recent opportunities that the market is endeavouring to respond to demand and meet investors need to satisfy their financial risk / return requirements, while at the same time promoting their preferred investment profile outcomes.

BILL CARTER

Chief Financial Officer

Attachment A

**Register of Investments and Cash
as at 30 September 2020**

Register of Investments and Cash for September 2020 period

Institution	Rating	Face Value \$	Amortised Value \$	Monthly Net Returns	Monthly Net Return Annualised	Net Returns Rolling 12 Months	Maturity Date	Investment Date	Term (months)
Call Account									
Westpac Bank	AA	7,822,370.28	7,822,370.28	0.04%	0.50%	0.50%	1-Oct-20	22-May-12	0
Commonwealth Bank	AA	80,096,435.60	80,096,435.60	0.05%	0.65%	0.65%	1-Oct-20	11-Jun-20	0
Macquarie Bank Ltd	AA	20,003,387.96	20,003,387.96	0.07%	0.80%	0.80%	1-Oct-20	21-Sep-20	0
Total		107,922,194	107,922,194	0.06%	0.67%	0.67%			
Term Deposits (TD)									
National Aust Bank	AA	10,000,000.00	10,000,000.00	0.08%	0.91%	0.91%	1-Oct-20	1-Jun-20	4
National Aust Bank	AA	5,000,000.00	5,000,000.00	0.08%	0.91%	0.91%	2-Oct-20	2-Jun-20	4
National Aust Bank	AA	5,000,000.00	5,000,000.00	0.08%	0.91%	0.91%	5-Oct-20	3-Jun-20	4
National Aust Bank	AA	5,000,000.00	5,000,000.00	0.08%	0.90%	0.90%	7-Oct-20	9-Jun-20	4
ME Bank	A	5,000,000.00	5,000,000.00	0.14%	1.63%	1.63%	9-Oct-20	7-Apr-20	6
Bank of Queensland	A	5,000,000.00	5,000,000.00	0.10%	1.20%	1.20%	13-Oct-20	18-May-20	5
ME Bank	A	5,000,000.00	5,000,000.00	0.13%	1.60%	1.60%	16-Oct-20	22-Jan-20	9
National Aust Bank	AA	5,000,000.00	5,000,000.00	0.08%	0.96%	0.96%	16-Oct-20	20-May-20	5
Credit Union Australia Ltd	A	5,000,000.00	5,000,000.00	0.13%	1.58%	1.58%	23-Oct-20	29-Jan-20	9
Bendigo & Adelaide Bank	A	5,000,000.00	5,000,000.00	0.13%	1.55%	1.55%	3-Nov-20	4-Feb-20	9
Macquarie Bank	A	5,000,000.00	5,000,000.00	0.13%	1.55%	1.55%	13-Nov-20	28-Feb-20	8
ME Bank	A	2,000,000.00	2,000,000.00	0.11%	1.30%	1.30%	16-Nov-20	18-May-20	6
ME Bank	A	5,000,000.00	5,000,000.00	0.05%	0.65%	0.65%	1-Dec-20	26-Aug-20	3
Macquarie Bank Ltd	A	5,000,000.00	5,000,000.00	0.06%	0.75%	0.75%	1-Dec-20	2-Jul-20	5
ME Bank	A	5,000,000.00	5,000,000.00	0.05%	0.65%	0.65%	4-Dec-20	1-Sep-20	3
Macquarie Bank Ltd	A	5,000,000.00	5,000,000.00	0.13%	1.60%	1.60%	4-Dec-20	3-Mar-20	9
IMB	A	5,000,000.00	5,000,000.00	0.07%	0.80%	0.80%	8-Dec-20	30-Jun-20	5
Suncorp Bank	A	5,000,000.00	5,000,000.00	0.06%	0.73%	0.73%	8-Dec-20	6-Jul-20	5
Macquarie Bank Ltd	A	5,000,000.00	5,000,000.00	0.13%	1.60%	1.60%	11-Dec-20	3-Mar-20	9
Bendigo & Adelaide Bank	A	5,000,000.00	5,000,000.00	0.06%	0.75%	0.75%	11-Dec-20	14-Jul-20	5
National Aust Bank	AA	5,000,000.00	5,000,000.00	0.08%	0.90%	0.90%	15-Dec-20	16-Jun-20	6
Bendigo & Adelaide Bank	A	5,000,000.00	5,000,000.00	0.05%	0.60%	0.60%	18-Dec-20	19-Aug-20	4
Macquarie Bank Ltd	A	5,000,000.00	5,000,000.00	0.13%	1.60%	1.60%	18-Dec-20	3-Mar-20	10
ME Bank	A	5,000,000.00	5,000,000.00	0.05%	0.65%	0.65%	22-Dec-20	24-Aug-20	4
Commonwealth Bank	AA	5,000,000.00	5,000,000.00	0.06%	0.74%	0.74%	4-Jan-21	3-Jul-20	6
Bendigo & Adelaide Bank	A	5,000,000.00	5,000,000.00	0.06%	0.75%	0.75%	8-Jan-21	6-Jul-20	6
Bendigo & Adelaide Bank	A	5,000,000.00	5,000,000.00	0.06%	0.75%	0.75%	11-Jan-21	14-Jul-20	6
Bendigo & Adelaide Bank	A	5,000,000.00	5,000,000.00	0.06%	0.75%	0.75%	12-Jan-21	6-Jul-20	6
Bank of Queensland	A	5,000,000.00	5,000,000.00	0.07%	0.80%	0.80%	15-Jan-21	9-Jul-20	6
National Aust Bank	AA	5,000,000.00	5,000,000.00	0.12%	1.40%	1.40%	22-Jan-21	29-Jan-20	12
ME Bank	A	5,000,000.00	5,000,000.00	0.05%	0.65%	0.65%	16-Feb-21	18-Sep-20	5
ANZ Bank	AA	5,000,000.00	5,000,000.00	0.05%	0.65%	0.65%	26-Feb-21	28-Aug-20	6
ANZ Bank	AA	5,000,000.00	5,000,000.00	0.05%	0.65%	0.65%	2-Mar-21	31-Aug-20	6
Bank of Queensland	A	5,000,000.00	5,000,000.00	0.06%	0.75%	0.75%	26-Mar-21	27-Aug-20	7
ANZ Bank	AA	5,000,000.00	5,000,000.00	0.06%	0.66%	0.66%	29-Mar-21	28-Aug-20	7
ANZ Bank	AA	5,000,000.00	5,000,000.00	0.06%	0.67%	0.67%	6-Apr-21	31-Aug-20	7
Bendigo & Adelaide Bank	A	5,000,000.00	5,000,000.00	0.05%	0.65%	0.65%	4-May-21	8-Sep-20	8
Bank of Queensland	A	5,000,000.00	5,000,000.00	0.06%	0.70%	0.70%	4-Jun-21	8-Sep-20	9
Bank of Queensland	A	5,000,000.00	5,000,000.00	0.06%	0.70%	0.70%	25-Jun-21	29-Sep-20	9
National Aust Bank	AA	5,000,000.00	5,000,000.00	0.07%	0.83%	0.83%	13-Aug-21	14-Aug-20	12
Westpac Bank (3 months BBSW + 88 points)	AA	5,000,000.00	5,000,000.00	0.08%	0.98%	1.47%	14-May-21	16-May-19	24
Westpac Banking Corporation (2.80% Fixed 1 year & 90 days BBSW + 82 points)	AA	5,000,000.00	5,000,000.00	0.08%	0.91%	1.40%	21-Sep-21	21-Sep-18	36
Westpac Banking Corporation (2.90% Fixed 2 years & 90 days BBSW + 90 points)	AA	5,000,000.00	5,000,000.00	0.09%	1.02%	1.39%	11-Oct-21	12-Oct-17	48
Westpac Banking Corporation (2.94% Fixed 2 years & 3 months BBSW + 82 points 3 years)	AA	5,000,000.00	5,000,000.00	0.25%	2.94%	2.94%	8-Nov-21	6-Nov-18	36
Westpac Banking Corporation (3% Fixed 2 years & 90 days BBSW + 133 points 3 years)	AA	5,000,000.00	5,000,000.00	0.12%	1.42%	1.94%	15-Dec-21	15-Dec-16	60
Westpac Banking Corporation (3% Fixed 2 years & RBA cash rate + 126 points 3 years)	AA	5,000,000.00	5,000,000.00	0.11%	1.35%	1.95%	31-Aug-22	31-Aug-17	60
Westpac Banking Corporation (2.80% Fixed 1 year & 90 days BBSW + 85 points)	AA	5,000,000.00	5,000,000.00	0.08%	0.93%	1.38%	27-Sep-22	28-Sep-18	48
Westpac Banking Corporation (2.98% Fixed 2 years & 3 months BBSW + 82 points 2 years)	AA	5,000,000.00	5,000,000.00	0.25%	2.98%	2.98%	21-Nov-22	21-Nov-18	48
Term Deposits (TD) 'Green Tailored Deposits'									
Commonwealth Bank- Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.05%	0.60%	0.60%	22-Dec-20	27-Aug-20	4
Commonwealth Bank- Green Tailored Deposit	AA	10,000,000.00	10,000,000.00	0.07%	0.78%	0.78%	15-Jan-21	13-Jul-20	6
Commonwealth Bank- Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.06%	0.74%	0.74%	29-Jan-21	24-Jul-20	6
Westpac Bank - Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.12%	1.42%	1.43%	4-Feb-21	5-Feb-20	12
Commonwealth Bank- Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.05%	0.62%	0.62%	9-Mar-21	9-Sep-20	6
Westpac Banking Corporation- Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.06%	0.71%	0.71%	17-Jun-21	21-Aug-20	10
Westpac Banking Corporation- Green Tailored Deposit- Quaterly payments	AA	5,000,000.00	5,000,000.00	0.07%	0.83%	0.83%	13-Jul-21	13-Jul-20	12
Westpac Banking Corporation- Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.06%	0.75%	0.75%	16-Jul-21	19-Aug-20	11
Westpac Bank - Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.06%	0.70%	0.70%	20-Aug-21	22-Sep-20	11
Westpac Banking Corporation- Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.06%	0.73%	0.73%	27-Aug-21	27-Aug-20	12
Commonwealth Bank- Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.06%	0.73%	0.73%	2-Sep-21	2-Sep-20	12
Commonwealth Bank- Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.06%	0.71%	0.71%	17-Sep-21	22-Sep-20	12
Commonwealth Bank- Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.06%	0.69%	0.69%	28-Sep-21	28-Sep-20	12
Commonwealth Bank- Green Tailored Deposit	AA	5,000,000.00	5,000,000.00	0.06%	0.70%	0.70%	30-Sep-21	30-Sep-20	12
Westpac Banking Corporation - Green Tailored Deposit (3 Months BBSW + 93 points)	AA	10,000,000.00	10,000,000.00	0.09%	1.02%	1.49%	27-Nov-23	26-Nov-18	60
Westpac Banking Corporation - Green Tailored Deposit (2.97% Fixed 2 years & 3 months BBSW + 93 points 3 years)	AA	5,000,000.00	5,000,000.00	0.25%	2.97%	2.97%	29-Nov-23	30-Nov-18	60
Westpac Banking Corporation - Green Tailored Deposit (3.00% Fixed 1 years & 3 months BBSW + 105 points 4 years)	AA	10,000,000.00	10,000,000.00	0.10%	1.15%	1.81%	24-Jan-24	25-Jan-19	60
Westpac Banking Corporation - Green Tailored Deposit (2.85% Fixed 1 years & 3 months BBSW + 100 points 4 years)	AA	5,000,000.00	5,000,000.00	0.08%	1.01%	1.92%	28-Feb-24	1-Mar-19	60
Westpac Banking Corporation - Green Tailored Deposit (2.75% Fixed 1 year & 3 months BBSW + 100 points 4 years)	AA	5,000,000.00	5,000,000.00	0.09%	1.09%	1.95%	11-Mar-24	13-Mar-19	60
Westpac Banking Corporation - Green Tailored Deposit (2.65% Fixed 1 year & 3 months BBSW + 100 points 4 years)	AA	5,000,000.00	5,000,000.00	0.09%	1.09%	1.88%	22-Mar-24	25-Mar-19	60
Total		357,000,000	357,000,000	0.09%	1.02%	1.13%			

Register of Investments and Cash for September 2020 period

Institution	Rating	Face Value \$	Amortised Value \$	Monthly Net Returns	Monthly Net Return Annualised	Net Returns Rolling 12 Months	Maturity Date	Investment Date	Term (months)
Floating Rate Notes (FRN)									
AMP Bank (90 days BBSW + 75 points)	A	5,000,000.00	5,000,000.00	0.07%	0.85%	1.28%	6-Oct-20	6-Oct-17	36
Suncorp Bank (90 days BBSW + 125 points)	A	5,000,000.00	5,000,000.00	0.11%	1.35%	1.75%	20-Oct-20	20-Oct-15	60
Westpac Banking Corporation (90 days BBSW + 108 points)	AA	15,000,000.00	15,000,000.00	0.10%	1.18%	1.57%	28-Oct-20	28-Oct-15	60
National Australia Bank (90 days BBSW + 108 points)	AA	10,000,000.00	10,000,000.00	0.10%	1.18%	1.67%	5-Nov-20	5-Nov-15	60
ME Bank (90 days BBSW + 125 points)	BBB	2,250,000.00	2,250,000.00	0.11%	1.35%	1.83%	9-Nov-20	9-Nov-17	36
Commonwealth Bank (90 days BBSW + 115 points)	AA	5,000,000.00	5,000,000.00	0.10%	1.25%	1.64%	18-Jan-21	20-Jan-16	60
Heritage Bank (90 days BBSW + 123 points)	BBB	3,500,000.00	3,500,000.00	0.11%	1.32%	1.80%	29-Mar-21	29-Mar-18	36
ANZ Bank (90 days BBSW + 118 points)	AA	5,000,000.00	5,000,000.00	0.11%	1.28%	1.70%	7-Apr-21	7-Apr-16	60
Suncorp Bank (90 days BBSW + 138 points)	A	5,000,000.00	5,000,000.00	0.13%	1.50%	1.89%	12-Apr-21	12-Apr-16	60
ME Bank (90 days BBSW + 127 points)	BBB	2,500,000.00	2,500,000.00	0.11%	1.37%	1.77%	16-Apr-21	17-Apr-18	36
Bendigo & Adelaide Bank (90 days BBSW + 146 points)	BBB	5,000,000.00	5,000,000.00	0.13%	1.56%	1.96%	20-Apr-21	20-Apr-16	60
Bank of China - Sydney Branch (90 days BBSW + 103 points)	A	4,500,000.00	4,500,000.00	0.09%	1.13%	1.61%	15-Nov-21	15-Nov-18	36
Commonwealth Bank (90 days BBSW + 85 points)	AAA	4,600,000.00	4,600,000.00	0.08%	0.95%	1.43%	17-Nov-21	17-Nov-16	60
ANZ Bank (90 days BBSW + 88 points)	AA	4,000,000.00	4,000,000.00	0.08%	0.98%	1.46%	8-Feb-22	8-Feb-19	36
Credit Union Australia (90 days BBSW + 123 points)	A	1,500,000.00	1,500,000.00	0.11%	1.32%	1.80%	4-Mar-22	4-Mar-19	60
ME Bank (90 days BBSW + 98 points)	BBB	3,000,000.00	3,000,000.00	0.09%	1.08%	1.48%	18-Jul-22	18-Jul-19	36
Suncorp Bank (90 days BBSW + 97 points)	A	2,500,000.00	2,500,000.00	0.09%	1.07%	1.55%	16-Aug-22	16-Aug-17	60
Suncorp Bank (90 days BBSW + 97 points)	A	4,000,000.00	4,013,240.00	0.09%	1.07%	1.55%	16-Aug-22	31-Oct-18	45
Bank of Queensland (90 days BBSW + 105 points)	BBB	4,000,000.00	4,000,000.00	0.10%	1.15%	1.62%	3-Feb-23	5-Feb-18	60
Credit Union Australia (3 months BBSW + 90 bps)	BBB	2,800,000.00	2,800,000.00	0.08%	1.00%	1.29%	21-Feb-23	21-Feb-20	36
Westpac Bank (90 days BBSW + 83 points)	AA	5,000,000.00	5,000,000.00	0.08%	0.92%	1.41%	6-Mar-23	6-Mar-18	60
ANZ Bank (90 days BBSW + 90 points)	AA	5,000,000.00	5,000,000.00	0.08%	1.00%	1.48%	9-May-23	9-May-18	60
National Australia Bank (90 days BBSW + 90 points)	AA	5,000,000.00	5,000,000.00	0.08%	1.00%	1.48%	16-May-23	16-May-18	60
Commonwealth Bank (90 days BBSW + 93 points)	AA	3,500,000.00	3,500,000.00	0.09%	1.03%	1.51%	16-Aug-23	16-Aug-18	60
Suncorp Bank (90 days BBSW + 77 points)	A	4,500,000.00	4,500,000.00	0.07%	0.86%	1.39%	13-Sep-23	13-Sep-18	60
National Australia Bank (90 days BBSW + 93 points)	AA	3,500,000.00	3,500,000.00	0.09%	1.02%	1.51%	26-Sep-23	26-Sep-18	60
ANZ Bank (90 days BBSW + 103 points)	AA	5,000,000.00	5,000,000.00	0.09%	1.12%	1.61%	6-Dec-23	6-Dec-18	60
National Australia Bank (90 days BBSW + 104 points)	AA	4,000,000.00	4,000,000.00	0.09%	1.13%	1.59%	26-Feb-24	26-Feb-19	60
National Australia Bank (90 days BBSW + 92 points)	AA	3,200,000.00	3,200,000.00	0.08%	1.01%	1.52%	19-Jun-24	20-Jun-19	60
Westpac Banking Corporation (90 days BBSW + 88 points)	AA	4,000,000.00	4,000,000.00	0.08%	0.98%	1.46%	16-Aug-24	16-May-19	63
ANZ Bank (90 days BBSW + 77 points)	AA	4,000,000.00	4,000,000.00	0.07%	0.86%	1.31%	29-Aug-24	29-Aug-19	60
National Australia Bank (90 days BBSW + 77 points)	AA	5,000,000.00	5,000,000.00	0.07%	0.87%	1.13%	21-Jan-25	21-Jan-20	60
Macquarie Bank (3 months BBSW + 84 points)	A	5,000,000.00	5,000,000.00	0.08%	0.94%	1.25%	12-Feb-25	12-Feb-20	60
Suncorp Bank (90 days BBSW + 112 points)	AAA	1,500,000.00	1,500,000.00	0.10%	1.22%	1.23%	24-Apr-25	27-Apr-20	60
Floating Rate Notes (FRN) 'Green/Climate Bonds/Sustainability Bond'									
Commonwealth Bank Climate Bond (90 days BBSW + 92 points)	AA	5,000,000.00	5,000,000.00	0.09%	1.02%	1.48%	31-Mar-22	31-Mar-17	60
Bank Australia - Sustainability Bond (3months BBSW + 90 points)	BBB	5,000,000.00	5,000,000.00	0.08%	0.99%	1.38%	2-Dec-22	2-Dec-19	36
Total		162,350,000	162,363,240	0.09%	1.11%	1.54%			
Total Investments		627,272,194	627,285,434	0.08%	0.98%	1.16%			
Benchmark: 30 Day Bank Bill Index				0.00%	0.09%	0.45%			
Benchmark: Bloomberg AusBond Bank Bill Index				0.01%	0.12%	0.58%			
City of Sydney's available bank balance as at 30 September 2020		14,731,531	14,731,531						
TOTAL INVESTMENTS & CASH		642,003,725	642,016,965						

Summary of Net Investment Movements - September 2020

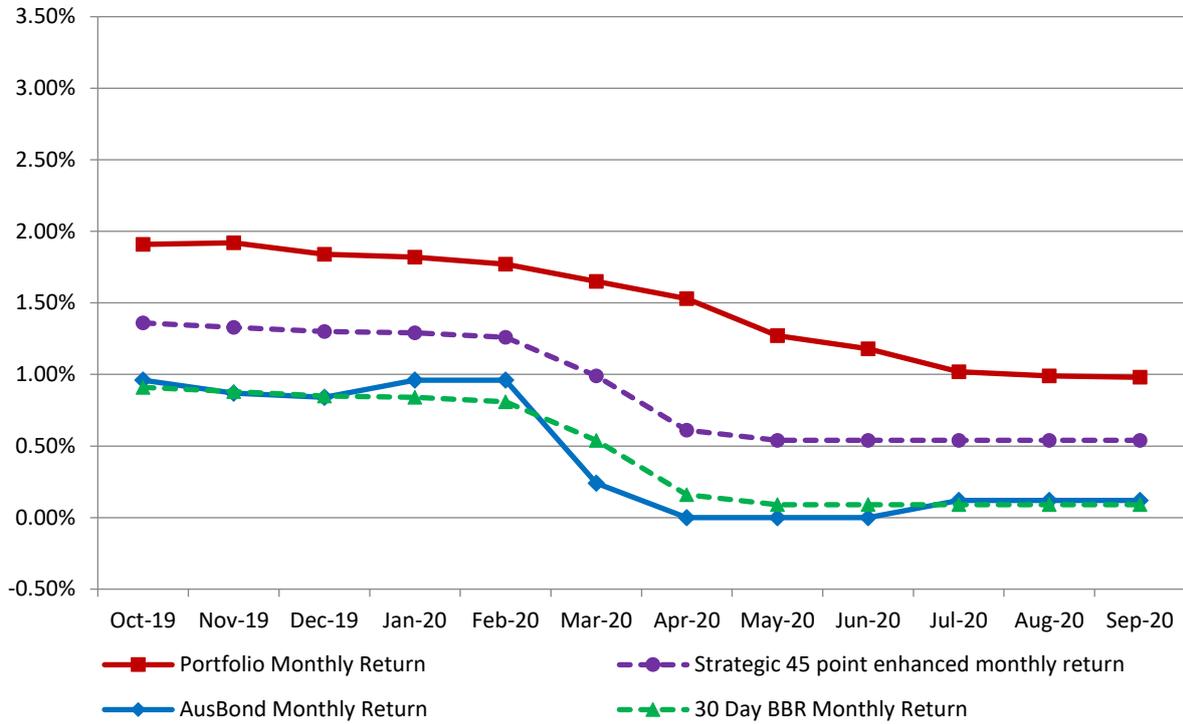
Financial Institution	Fund Rating	Net Invest/(Recall) Amount \$	Commentary
<u>General Fund</u>			
Westpac Bank	AA	7,000,000	September closing balance was higher due to high volume of rates receipts at the end of the month
<u>Call Account</u>			
Westpac Bank	AA	(4,000,000)	Funds redeemed from Westpac Call account for operational use, or reinvested in CBA Call Account or Macquarie Bank Call Account for better rate
Commonwealth Bank	AA	10,000,000	
Macquarie Bank Ltd	A	20,000,000	
<u>Term Deposits (TDs)</u>			
Credit Union Australia Ltd	AA	(15,000,000)	Redemption of matured Term Deposits, utilised for operational use or reinvested with higher yielding products.
National Australia Bank	AA	(5,000,000)	
Macquarie Bank Ltd	A	(20,000,000)	
Bendigo & Adelaide Bank	A	5,000,000	Redeemed matured investments and placed in higher yielding Term Deposits.
Commonwealth Bank	AA	20,000,000	

Attachment B

**Investment Performance
as at 30 September 2020**

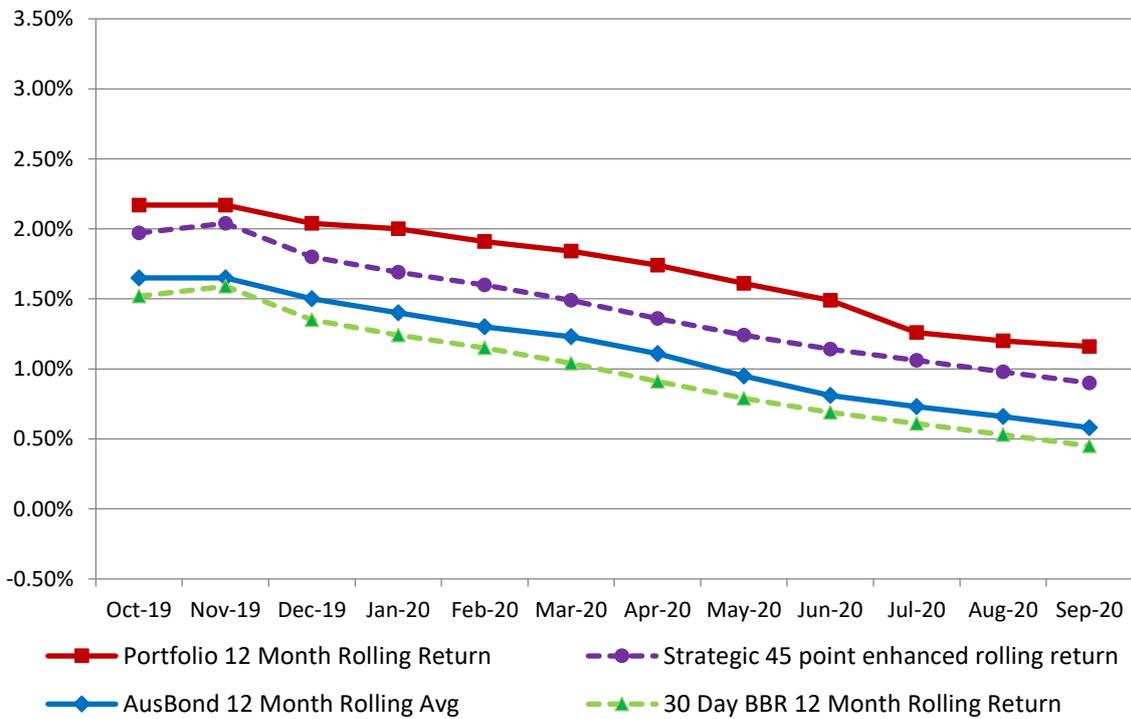
Monthly Results

Actual Portfolio vs Strategic Enhanced Benchmark vs AusBond Benchmark vs 30 Day BBR Benchmark
September 2020

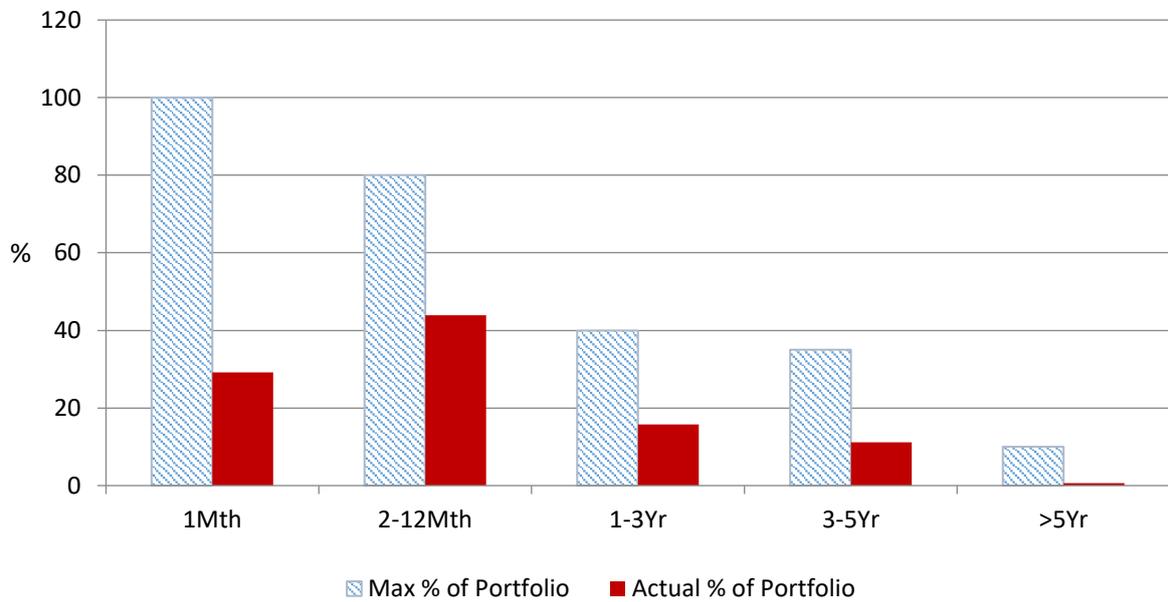


12 Month Rolling Averages

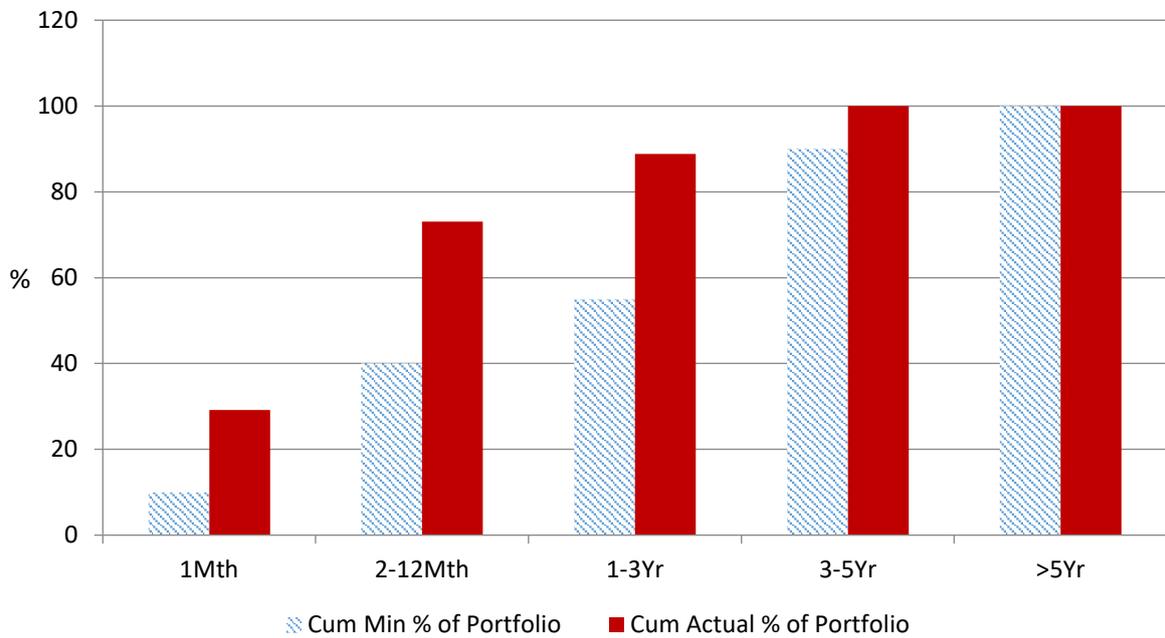
Actual Portfolio vs Strategic Enhanced Benchmark vs AusBond Benchmark vs 30 Day BBR Benchmark
September 2020



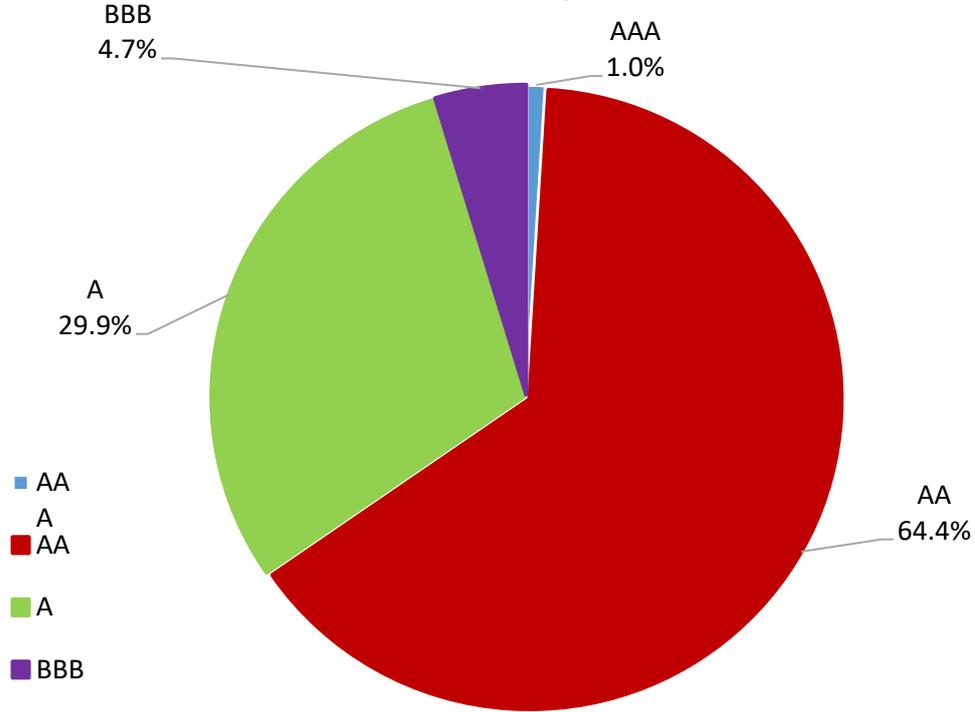
% Liquidity - Maximum Allowances as at 30 September 2020



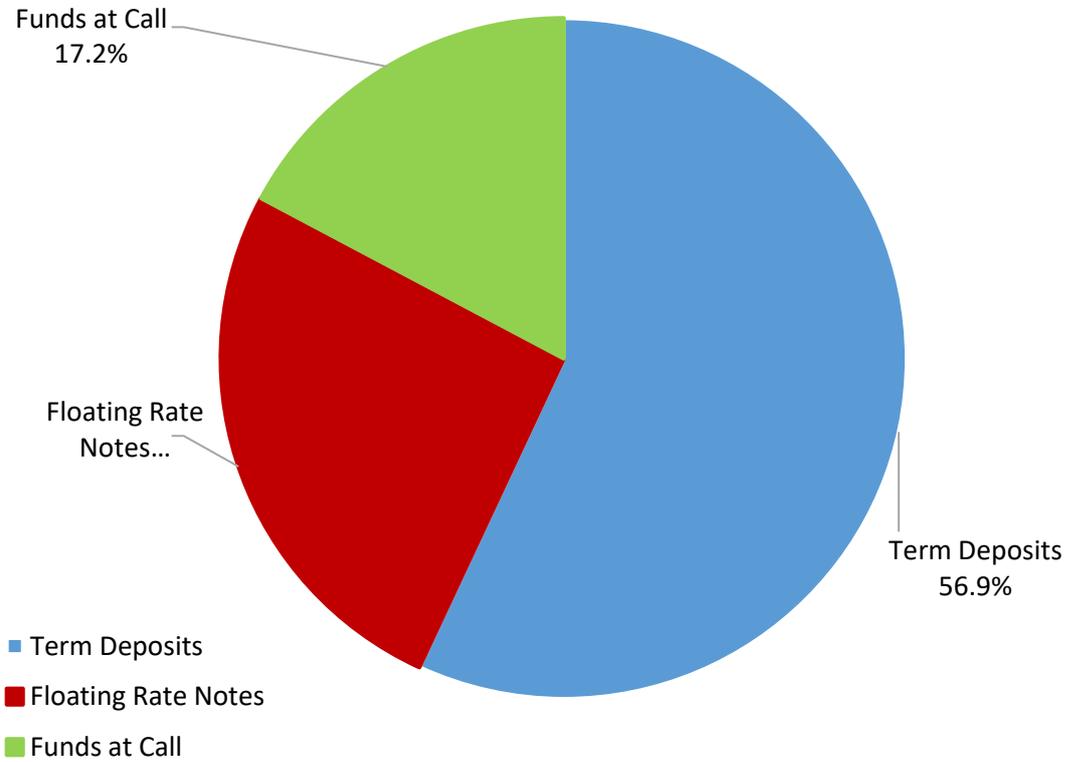
% Liquidity - Minimum Allocations as at 30 September 2020



Risk Profile as at 30 September 2020



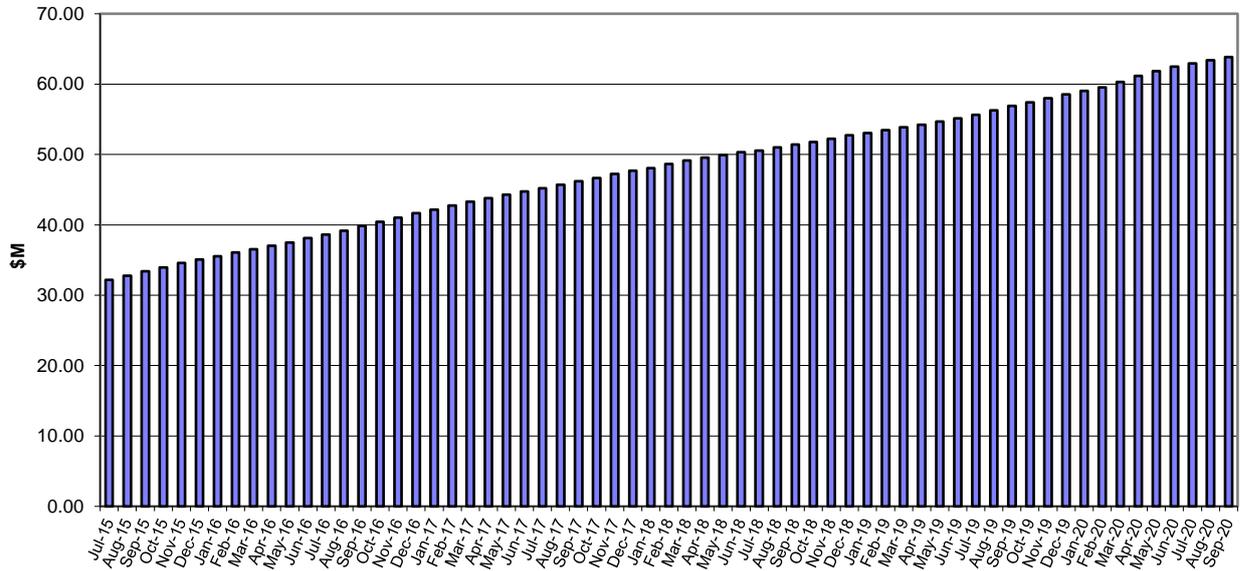
Investment Product Profile as at 30 September 2020



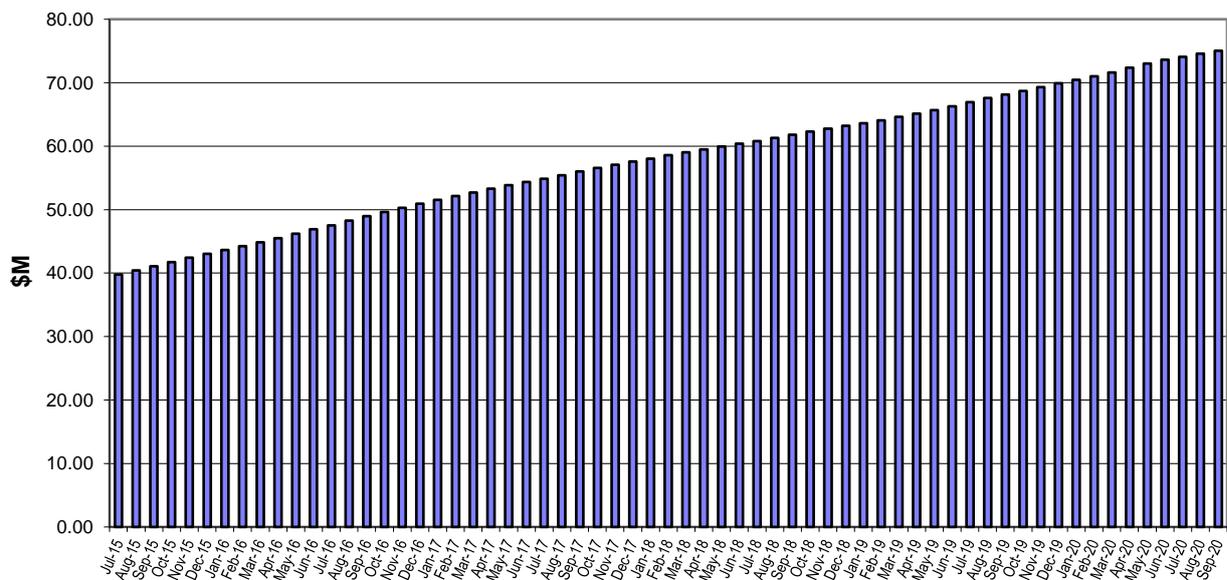
**INVESTMENT AND CASH DISTRIBUTION BY FINANCIAL INSTITUTION
AS AT 30 September
2020**

Institution Category	Financial Institution	Amount \$M	Financial Inst. %	Institution Cat. %
Australian Big 4 Bank (and related institutions)	ANZ Bank	43.0	6.9	
	Commonwealth Bank-related:	148.2	23.6	
	National Aust Bank	75.7	12.1	
	Westpac Banking Corporation	141.8	22.6	
Big 4 Total		408.7		65.2
Other Australian ADIs and Australian subsidiaries of foreign institutions	AMP Bank	5.0	0.8	
	Bank Australia Limited	5.0	0.8	
	Bank of China	4.5	0.7	
	Bank of Queensland	29.0	4.6	
	Bendigo & Adelaide Bank	40.0	6.4	
	Credit Union Australia Ltd	9.3	1.5	
	Heritage Bank	3.5	0.6	
	IMB	5.0	0.8	
	Macquarie Bank Ltd	50.0	8.0	
	ME Bank	39.8	6.3	
	Newcastle Permanent Building Society	0.0	0.0	
Suncorp Bank	27.5	4.4		
Other ADI Total		218.6		34.8
Grand Total		627.2	100.0	100.0

Cumulative Outperformance over AusBond Benchmark - 2015-2020



Cumulative Outperformance over 30 Day BBR Benchmark - 2015-2020



Item 5.

Review of the Investment Policy and Strategy for the Management of Council's Surplus Funds

File No: X020701

Summary

This report presents the revised Investment Policy and Investment Strategy for the Management of Council's Surplus Funds.

The Policy and Strategy are reviewed annually, as a minimum, to ensure they remain appropriate given changes to the economic, investment and legislative environments. The annual review of the Policy and Strategy, together with the proactive management of the portfolio, has resulted in a secure investment portfolio that consistently outperforms the benchmark returns required by the policy.

The scope of the City's investments and the wider NSW local government sector is limited. It is mandated under the Local Government Act 1993, through a Ministerial Investment Order, that council investments are limited to deposits and / or bonds in Federal, State (including NSW TCorp) or Local Governments and in banks that are Approved Deposit Taking Institutions under the Banking Act. Councils are not permitted to invest in equities and therefore not permitted to invest directly in individual companies.

The Investment Policy sets out Council's investment objectives to safeguard the City's cash and investment portfolio, achieve appropriate rates of return and manage the portfolio to ensure sufficient liquidity to meet Council's business objectives. It includes investment criteria to frame investment decisions, risk management parameters, and investment governance standards to ensure transparency, internal controls and performance management.

The Investment Strategy outlines Council's investment intentions in light of the current economic, investment and legislative environments. The focus is on the investment opportunities available to the City, guiding investments to be maintained in the coming 12 months and the investment of new funds. The Strategy aims to accomplish a balanced and diversified portfolio in terms of investment products, credit ratings and term to maturity to ensure sufficient liquidity will be available as funds are required.

The City first formally introduced social and responsible investment criteria into its investment policy and strategy in 2008, although environmental investments were already being actively incorporated into the portfolio as appropriate instruments came onto the market. Since that time, the City has progressively strengthened its position within its allowed investment framework.

In October 2016, Council endorsed a revised Investment Policy that further enhanced the social and responsible investment aspect of the City's investment policy. While the Policy already encouraged social and responsible investment, provided that products met the risk and return requirements of other investments, two amendments were adopted that:

- (a) strengthened Council's commitment to social and responsible investment where returns and risk are equivalent to other available investments; and
- (b) expanded the definition of environmentally harmful activities to include specific reference to coal, gas and oil.

These two amendments continue to be included in the policy.

In November 2018, Westpac informed the City that they had developed a new sustainable investment product known as a Green Tailored Deposit, which has been independently certified to meet the Climate Bonds Standard while not compromising the credit risk of the product. These deposits are associated with a defined pool of eligible assets which meet the Climate Bond Standard criteria including renewable energy, low carbon transport, low carbon intensity emitting buildings, waste and water products and will be independently certified annually. The City was the first council to invest in this new product and currently holds investments of \$70 million in Westpac Green Tailored Deposits. The Commonwealth Bank subsequently launched a similar product and at the end of September 2020 the City held investments in these deposits totalling \$45M.

The legislative and regulatory environment for local government has remained static, and the existing Investment Policy continues to serve the City well.

The Covid-19 pandemic has created significant uncertainty in financial markets during 2020. One of the measures the Reserve Bank of Australia (RBA) has utilised to respond to the crisis has been to reduce the official cash rate downward. It was reduced first on 3 March 2020, to 0.50 per cent and again on 20 March 2020 when it was further reduced to 0.25 per cent. Liquidity in the market has increased as the RBA launched its Term Funding Facility in a further response to the economic crisis. This facility now amounts to approximately \$200 billion and has reduced the funding costs of eligible Authorised Deposit-Taking Institutions (ADIs). The wholesale investment market has responded by reducing the rates on offer and the resultant lower investment yields continue to have a sustained adverse impact on the City's portfolio return.

The key objectives of the current Investment Strategy however, remain valid for the present economic, investment and legislative environments. The Strategy remains unchanged as it presently meets liquidity requirements for Council's operational requirements and ongoing capital works program, noting that investment returns are expected to be lower in the coming year.

The proposed Investment Policy and Strategy will continue to maintain an investment portfolio that is reasonably conservative; and comprise investments in institutions with high investment grade credit ratings that are all subject to APRA regulation, while at the same time allow some flexibility for appropriate investment opportunities that enhance the City's financial returns.

Recommendation

It is resolved that Council adopt the revised Investment Policy and Investment Strategy for the management and investment of Council's surplus funds, as shown in Attachments A and B to the subject report.

Attachments

Attachment A. 2020/21 Investment Policy for the Management of Surplus Funds

Attachment B. 2020/21 Investment Strategy for the Management of Surplus Funds

Background

1. The Local Government Act 1993 (the Act) was amended in 2016 to strengthen council's fiduciary duty. The changes are intended to guide councils to carry out their functions in a way that facilitates local communities that are strong, healthy and prosperous, and include an explicit reference to councils carrying out their functions in a way that provides the best possible value for residents and ratepayers.
2. The Investment Policy and Strategy are a key part of ensuring the City continues to manage its finances in an effective, efficient and prudent manner. The amendments to the Local Government Act 1993, as referred to above, reinforce the City's existing underlying financial principles.
3. The Act states councils should have effective financial and asset management, including sound policies and processes, for the following:
 - (a) performance management and reporting;
 - (b) asset maintenance and enhancement;
 - (c) funding decisions; and
 - (d) risk management practices.
4. The Local Government Code of Accounting Practice and Financial Reporting (the Code) states that:

"Councils must maintain an investment policy that complies with the Act, Local Government (General) Regulation 2005 (NSW) and the Ministerial Local Government Investment order and ensures it or its representatives exercise care, diligence and prudence when investing council funds."
5. The Investment Policy and Strategy are reviewed annually to ensure they remain relevant to prevailing market and legislative conditions. In situations where market volatility and uncertainty arise from changes in the economic, investment and legislative environments, the review will be brought forward for adoption by Council at an earlier date so key changes can be made to the Policy and Strategy to deal with the respective market conditions.
6. The purpose of the Policy and Strategy is to ensure the investments are secure, satisfy Council's risk / return criteria and are compliant with the Local Government Act 1993, as well as to optimise investment income from the short and long term investment of funds that are surplus to the City's present operational needs.
7. The City's investment portfolio remains conservative due to the robustness of the Australian domestic investment market under the supervision of the Australian Prudential Regulation Authority (APRA) which extends across the full range of financial institutions. The City has gradually diversified from its 2008 GFC-focused portfolio, which was highly conservative and significantly concentrated in the 'Big 4' AA-rated domestic banks. Its current portfolio remains conservative but more diversified, as it includes more APRA-regulated A-rated bank investments together with a handful of investment-grade BBB-rated investments.

8. The Policy encourages investments in environmentally and socially responsible investments provided they meet the risk and return requirements of other investments. Two amendments were adopted in October 2016 that:
 - (a) strengthened Council's commitment to social and responsible investment where returns and risk are equivalent to other available investments; and
 - (b) expanded the definition of environmentally harmful activities to include specific reference to coal, gas and oil.
9. The first amendment proposed the change of the word 'desirable' to 'preferred' under the criteria for environmentally and socially responsible investments. The change highlights that the City will, all things being equal, invest in social and responsible investments.
10. The second amendment included 'coal, gas and oil' (fossil fuels) as criteria to avoid, being environmentally harmful activities. Fossil fuels are some of the major contributors to greenhouse gas emissions, resulting in climate change. Clearly identifying these items in the criteria section of environmentally harmful activities of the policy emphasises Council's intent not to invest in activities relating to fossil fuel use.
11. The amendments did not significantly change the overall intent of the Policy but provide a clearer signal to the broader community, public sector agencies, all levels of government and the financial sector as to the City's intent.
12. Council's Investment Policy and Investment Strategy continue to permit and encourage environmental and socially responsible investment activity (SRI investments). The Ministerial Investment Order limits the range of financial institutions in which NSW councils can invest and prohibits many of the available socially responsible investment products.
13. The City maintains good relationships with its financial institutions, and regularly meets to advocate for new investment vehicles and products that will achieve our desire to increase our commitments to social and responsible investment. In a welcome development, in November 2018, Westpac informed the City that they had created a new sustainable investment product known as a Green Tailored Deposit, which has been independently certified to meet the Climate Bonds Standard while not compromising the credit risk of the product. These deposits are associated with a defined pool of eligible assets which meet the Climate Bond Standard criteria including renewable energy, low carbon transport, low carbon intensity emitting buildings, waste and water products and are independently certified annually. At the time of writing, the City holds investments of \$70 million in Westpac Green Tailored Deposits. The Commonwealth Bank subsequently launched a similar product and at the end of September 2020 the City held investments in these deposits totalling \$45M.

14. The Covid-19 pandemic has created significant uncertainty in financial markets. One of the measures the Reserve Bank of Australia (RBA) has used to respond to the crisis is by reducing the official cash rate downward. It was reduced first on 3 March 2020, to 0.50 per cent and again on 20 March 2020 when it was further reduced to 0.25 per cent. Liquidity in the market has increased as the RBA launched its Term Funding Facility in a further response to the economic crisis. This facility, which now amounts to in the order of \$200 billion, has reduced the funding costs of Authorised Deposit-Taking Institutions (ADIs). The market has responded by reducing the rates on offer and the resultant lower investment yields continue to have a sustained adverse impact on the City's portfolio return
15. The key objectives of the current Investment Strategy however remain valid for the present economic, investment and legislative environments. The Strategy remains unchanged, as it presently meets liquidity requirements for Council's ongoing capital works program as well as revised objectives for investment performance measurements. Sections of the Investment Strategy that detail the current investment portfolio and its performance were amended to reflect the present results.
16. The proposed Investment Policy and Strategy continue to satisfy the compliance requirements of the Ministerial Investment Order.
17. It should be noted that the Investment Strategy is a 'guiding principles' document. As market conditions change significantly and very quickly, the Strategy may need to be amended from time to time, in which case Council would be advised through the monthly Investment Report.

Key Implications

18. Council's Investment Policy and Investment Strategy direct its investments to ensure compliance with the requirements of the Local Government Act 1993 and Minister's Investment Order within acceptable risk / return parameters.

Financial Implications

19. Investment returns over the past five years have gradually reduced, reflecting lower interest rates and the more limited investment opportunities now available under the Ministerial Investment Order, Investment Policy and Investment Strategy.
20. Portfolio returns are expected to remain reasonably low, that is between 0.50 per cent - 1.00 per cent, for the next year with interest rates anticipated to continue at historic lows for some time. Anticipated cash balances and resultant investment returns are subject to achievement of the planned capital program.

Relevant Legislation

21. Council is authorised to invest its surplus cash under Section 625 of the Local Government Act 1993.
22. The Local Government (General) Regulation 2005 (Clause 212) requires the City to provide a written monthly report of all monies invested, under Section 625 of the Act.
23. The Local Government Code of Accounting Practice and Financial Reporting (Legislative Requirements Update 10 at 11.3.5) states that Council must maintain an investment policy that complies with the Act and ensure it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing council funds.

BILL CARTER

Chief Financial Officer

Attachment A

<p>Investment Policy for the Management of Surplus Funds</p>

Investment Policy

Purpose

The Investment Policy sets out the requirements for the management of Council’s cash and investment portfolio. The City requires that all investment activities be exercised with the care, diligence and skill of a prudent person, and not for speculative purposes.

The policy sets the framework to:

- safeguard the City’s cash and investments portfolio
- achieve appropriate earnings
- manage Council’s cash resources to ensure sufficient liquidity to meet Council’s business objectives over the long, medium and short term.

The policy reinforces Council’s ongoing commitment to maintain a conservative risk and return portfolio, an important component of its ongoing prudent financial management practices.

The Investment Strategy supports the policy by defining investment objectives and actions for the next 12 months.

The City of Sydney’s financial policies are developed to ensure that the City satisfies legislative requirements and follows ‘best practice’ in its business operations, with due consideration for the effective and efficient management of the resources utilised within that business.

Scope

This policy applies to all managers and employees who actively manage Council’s Cash and Investments or have the responsibility for employees who actively manage Council’s Cash and Investments.

Definitions

The following definitions illustrate the structure of the City’s investment portfolio and the relationship of the terms referred to in this policy:

Term	Meaning
Cash	<p>Cash comprises:</p> <ul style="list-style-type: none"> • cheque accounts • daily call accounts <p>with Authorised Deposit-taking Institutions (ADIs).</p> <p>Cash assets typically have a maturity term at the time of placement of being immediately available or available within 24 hours.</p> <p>Cash assets are closely linked with investments but do not constitute investments. Cash is used to meet immediate operational cash needs.</p>
Investments	<p>Investments comprise:</p> <ul style="list-style-type: none"> • term deposits • bonds with an active secondary market

Term	Meaning
	<p>with government (including NSW T-Corp) and Authorised Deposit-taking Institutions (ADIs).</p> <p>Investment assets have maturities at the time of placements of 30 days or more</p>
Investment Periods	<p><i>Short-term</i>: those investments that are under 12 months</p> <p><i>Long-term</i>: those investments that are greater than 12 months</p>
Grandfathered investments	<p>Grandfathered investments are a part of total investments and comprise:</p> <ul style="list-style-type: none"> • investments where additional investment activity is prohibited by regulation • other investments over which additional investment activity is temporarily prohibited due to unintentional breaches of investment thresholds and limitations that arise due to changes in the level of unrelated investments within the portfolio (the prohibition only remains as long as the breaches remain in place).
Impairment	<p>The impairment of an investment represents the amount of the original cost of the investment that is not expected to be recovered at the investment's maturity date due to current adverse economic or investment conditions that impact on the investment's financial performance.</p>
Provision for market value differences	<p>The market values of tradeable investments may vary over the life of the investment due to changes in pricing factors such as interest rates and credit spreads. The pricing factors have diminishing influence as the investment nears maturity and is redeemed at face value.</p>
Approved Deposit-taking Institution (ADI)	<p>An institution that is authorised under the <i>Banking Act 1959</i> to accept term deposits and conduct banking activities in accordance with that Act and under the prudential supervision of the Australian Prudential Regulation Authority (APRA).</p>
Amortised Cost	<p>Any discounts or premiums paid on acquisition of investments to be amortised on a straight line basis over the term of the investment.</p>
Active secondary market	<p>A market where investors purchase securities or assets from other investors, rather than from issuing companies themselves on an arm's length (independent) basis.</p>
Benchmark rates	<p>Benchmark rates comprise:</p> <ul style="list-style-type: none"> • Bloomberg AusBond Bank Bill Index - The Bloomberg AusBond Bank Bill index is constructed as a benchmark to represent the performance of a passively managed short-term money market portfolio. The index is based on thirteen 91-day bank bills that mature a week apart (each Tuesday) for 13 weeks. As each bank bill matures a new 91 day bank bill is purchased using the 3 month BBSW rate. Each existing bank bill is revalued using interpolated rates constructed from the Reserve Bank of Australia (RBA) 24 Hour cash rate and the one month bank bill rate. An index is then constructed to represent the returns of these thirteen bank bills. The index is an accumulation index meaning the value of the index changes each day. • 30 Day Bank Bill Index – The 30 Bank Bill Index is designed to measure the performance of the Australian short-term money

Term	Meaning
	market. The index is based on the calculated monthly average of Bank Accepted Bills/Negotiable Certificates of Deposit, as issued by RBA.
Business Model	The term ‘business model’ refers to how a Council manages its financial assets in order to generate cash flows. Under AASB 9, classification of financial assets depends on whether the <i>objective</i> of the business model is to generate cash from <i>collecting contractual cash flows over the life of the instrument</i> or <i>collecting contractual cash flows over the life of the instrument and selling financial assets or other</i> .

Definitions relating to statutory accounts, in accordance with Australian Accounting Standards:

Term	Meaning
Cash and cash equivalents	Investment assets that have a maturity date of 90 days or less at the time of acquisition, including: <ul style="list-style-type: none"> • cash • call accounts • term deposits bonds with an active secondary market.
Investments	Investment assets that have a maturity date of greater than 90 days at time of acquisition, including: <ul style="list-style-type: none"> • term deposits • bonds with an active secondary market with government (including NSW T-Corp) and Authorised Deposit-taking Institutions (ADIs).

Policy Statement

The City’s investment objective is to ensure funds that are surplus to Council’s immediate requirements are invested within acceptable risk parameters to optimise interest income while ensuring the security of these funds and maintaining adequate liquidity to meet the City’s operational requirements.

Legislative authority for investments

All investments are to be made in accordance with:

- Australian Accounting Standards
- Office of Local Government Investment Circulars
- Office of Local Government Investment Policy Guidelines
- Local Government (General) Regulation 2005 – Clause 212
- Local Government Act 1993 (particularly section 625)
- Local Government Code of Accounting Practice & Financial Reporting
- Minister’s Investment Order (gazetted)
- Trustee Act 1925 (NSW) (particularly sections 14A(2), 14C(1) and (2))

Investment governance

The following internal control practices are in place to ensure adequate governance and allow transparent and clear performance measurement for the management of the City's cash and investment portfolio:

- financial planning and cash-flow management
- delegated authorities and investment approval
- measurement of investment performance
- performance benchmarks
- reporting and review
- audit oversight.

These internal control practices are explained in more detail below.

Financial planning and cash-flow management

Funds that are surplus to Council's immediate cash requirements will be managed in accordance with the long, medium and short-term financial cash requirements of the City.

Long term financial plans are developed to ensure the long term financial sustainability of Council. These plans will incorporate forecasts of cash inflows and outflows to:

- estimate cash surpluses and shortages in future periods
- identify the longer- and medium-term investment horizon for surplus funds.

Shorter term financial plans are used to predict funds availability and monitor the Council's cash management needs throughout the year. These cash flow models are monitored daily to facilitate informed investment decisions and to ensure that sufficient liquidity exists to satisfy Council's financial commitments.

Responsibilities

Authorities and investment responsibilities are defined within Council's Delegation Authority.

Authority for the implementation of the Investment Policy is delegated by Council to the Chief Executive Officer in accordance with the *Local Government Act 1993*.

The Chief Executive Officer has also delegated authority to invest surplus funds as follows:

- Chief Operating Officer (COO)
- Chief Financial Officer (CFO)
- other senior financial officers who have the requisite skills to undertake investment functions (as per the Delegations Register).

Officers with delegated authority are required to acknowledge they have received a copy of this policy and understand their obligations in this role.

Investment responsibilities

The City's Financial Planning and Reporting Unit prepares investment recommendations in accordance with this policy and the Investment Strategy. To achieve the best value for the City's investments, recommendations will consider:

- credit risk
- forecast cash requirements
- alternative investments with comparable risk
- liquidity and maturity profiles.

A minimum of two price quotations of like or similar investments must be obtained for the acquisition of all market investments in order to verify the fairness of the purchase price.

Two authorised signatories, with appropriate delegation limits, must approve each investment recommendation. Recommendations must be retained on file as a permanent record.

Any single investment exceeding \$5M, or, investments with maturity terms (or initial call dates) that exceed 5 years, require the written authority by any two of the CEO, COO, CFO, Financial Planning and Reporting Manager or Business Planning and Performance Manager. Where a recommendation consists of multiple investments, the amount and maturity of each investment must be considered separately.

Cash

The City retains funds for daily operational payment needs in a combination of a cheque account and/or daily call account/s. Transfers between these accounts are undertaken in order to ensure the cheque account has the appropriate level of funds to fulfil immediate payment obligations of the City and such transfers therefore do not constitute investments in the context of this Policy.

Delegated authority to enable transfers of call funds between the cheque and call accounts is as follows:

The Chief Executive Officer has delegated authority to transfer call funds as follows:

- Chief Operating Officer (COO)
- Chief Financial Officer (CFO)
- other senior financial officers who have the requisite skills to undertake investment functions (as per the Delegations Register).

Two authorised signatories, with appropriate delegation limits, must approve each call funds transfer recommendation. Recommendations must be retained on file as a permanent record.

Any single transfer of call funds exceeding \$10M requires the written authority by any two of the CEO, COO, CFO, Financial Planning and Reporting Manager or Business Planning and Performance Manager.

Conflict of interest

Officers shall not engage in activities that would conflict with the proper execution and management of Council's investment portfolio. Any potential conflicts of interest should be appropriately disclosed in accordance with Council's Code of Conduct.

Classification of Financial and Measurement of instruments

At the City, the primary objective in the purchase of financial investments is to collect contractual cashflows (i.e. interest revenue) over the life of the investment, and redeem the principal sum at maturity, rather than to regularly trade to make a profit. This constitutes a 'Held-to-Maturity business model'; one of three options described under AASB 9 – Financial Instruments. Under AASB 9, the classification and measurement of financial instruments is determined by an entity's business model.

Based upon the 'Held-to-Maturity' Model, all investments held by the City are carried at Amortised Cost. This classification requires any discounts or premiums paid on acquisition of investments to be amortised on a straight-line basis until the investment matures. Note that discounts or premiums on acquisition are only applicable to Floating Rate Note products, and have not historically been common for the City.

Since AASB 9 replaced previous applicable standard AASB 139, adjustments to 'Fair Value' are no longer required; valuations will still be received on a quarterly basis from investment advisors, but book values will not be adjusted. This approach is more reflective of the City's historical strategy of holding investments to maturity. Any temporary gains or losses on investment values have traditionally not been realised, and investment values have returned to face value at the time of maturity.

Performance Benchmarks

Investment performance will be measured monthly against the chosen benchmarks in relation to both current month and 12-month rolling returns.

The CFO will approve the use of independently determined benchmarks. Where Council changes independently determined benchmarks, monthly reports for the month of change and the next five months thereafter shall contain reporting of investment returns against benchmark for both the following:

- the benchmark that is being replaced, and
- the new benchmark backdated on a twelve month basis.

Council currently uses two performance benchmarks:

- Bloomberg AusBond Bank Bill Index –provides a common benchmark against other councils so that the City's investment performance can be compared on an industry basis and against other portfolios with similar or different risk and reward profiles
- 30 day Bank Bill Rate (sourced from the RBA) – provides a fair indicator of the risk free rate of return so that Council can understand the return that has been earned from diversifying its investment portfolio and accepting conservative levels of risk.

Consultation

Reporting and Review

The City will maintain a separate record of money it has invested under section 625 of the *Local Government Act 1993*, in accordance with the criteria defined by the *Local Government Code of Accounting Practice and Financial Reporting*.

Pursuant to the *Local Government (General) Regulation 2005* (clause 212), the City will provide a monthly report to Council on investments. The monthly report to Council will include:

- the total value of the portfolio
- a complete schedule of all investments within the total portfolio
- full disclosure of all investments by type, current credit rating and face value
- net investment income for the month (actual against budget)
- the weighted average investment returns for the current month and the last 12 months rolling period (actual against benchmark)
- informative commentary on portfolio compliance and performance, current economic investment environment, and any change to current strategy
- certification that investments accord with the Act, regulations and Council's investment policy and strategy.
- analysis of the portfolio's liquidity (maturity) profile
- analysis of the portfolio's risk profile (credit ratings)
- analysis of the portfolio's product diversification (investment types)

In accordance with the Local Government Code of Accounting Practice & Financial Reporting, the City will undertake an annual review of its Investment Policy and Investment Strategy.

If there are any significant changes to the Act, regulations, issued guidelines, or if the market changes to a degree that warrants an earlier examination, the Policy and/or Strategy will be reviewed and brought back to Council for its consideration.

Audit Oversight

The City’s external auditors will review Council’s investments as part of the Annual Financial Reports. This may include seeking independent certification from the relevant financial institutions (banks, fund managers, etc.) to confirm the balance of investments held on Council’s behalf at the end of the financial year, and the adequacy of their internal control procedures.

The City’s Internal Audit unit will also periodically review the adequacy of the Investment Policy, Strategy and management’s internal controls as part of its audit review program.

Investment criteria

This section sets out the criteria for investments to be considered for inclusion within the City’s portfolio. In particular, it defines the mandatory investment criteria which all investments must satisfy.

Current investment regulations require Councils to invest with either the NSW Treasury Corporation (NSW TCorp) or Approved Deposit-taking Institutions (ADI) such as Australian banks or branches of foreign owned banks, credit unions and/or building societies as it acknowledges the additional assurance that arises from their regulation by the Australian Prudential Regulation Authority (APRA).

Mandatory Investment Criteria

Scope

Investments must comply with the legislative authorities as described in the Legislative Authority for Investments paragraph of this policy.

Currency

Investments must be denominated in Australian Dollars.

Ownership

Investments must be held in the City of Sydney’s name.

Term / Maturity

The term to maturity of investments may not exceed the periods shown below:

Investment	Maximum Term
All investments	10 years

Credit rating

The following credit rating criteria apply to City investments:

- Investments must have a credit rating. The credit rating structure of the total portfolio must comply with the following table:

Maximum Thresholds – Portfolio Percentage Limits		
Credit rating / Organisation	Direct investment products (as a % of Total Portfolio)	Exposure to a single institution (as a % of Total Portfolio)
AAA	100%	33 ⅓ %
ADIs within either the ANZ, Commonwealth Bank, NAB or Westpac Banking Groups ('Big Four')	100%	33 ⅓ %
AA	100%	25%
A	60%	20% (Maximum is the lesser of: \$50M Or 5% of Net Equity as per the latest published financial statements)
Below A (to minimum investment grade rating – currently BBB)	10%	10% (Maximum of \$10M)

- Credit ratings apply to both products and institutions. However this policy requires the rating applicable to the institution responsible for the product (e.g. guarantor) to be taken as the relevant rating given this represents the underlying risk to the City. Where there is a disparity between the credit rating of the institution and an individual investment product, the lower of the two ratings is adopted in applying the requirements of this Policy.
- Credit ratings must be monitored regularly by Finance staff to ensure ongoing compliance. Investments with credit ratings downgraded to an extent that they no longer comply will be divested as soon as practicable, in accordance with the grandfathering provisions of this policy.
- Credit risk investment parameters are based on credit rating bands as published by the credit rating agencies (e.g. S&P, Moodys and Fitch). If an investment is rated by more than one ratings agency, the credit rating to be used will be based on the order of S&P, Moodys and then Fitch.
- Where the principal amount and accrued interest of any investment with a financial institution are directly guaranteed by the Australian Federal Government for full repayment, the parameters in the table above may be exceeded as follows:
 - exposure to single institutions may exceed the stated limits provided that the excess amount comprises only guaranteed investments
 - exposure of the total portfolio to credit ratings lower than AAA may be exceeded, provided that the excess amount comprises only guaranteed investments.

As a result, investments directly guaranteed by the Australian Federal Government may comprise the total investment portfolio. Management should ensure that any excess of investments over the parameters specified in the table above that is comprised of Australian Federal Government guaranteed investments can be managed back to within the specified parameter levels prior to the expiration of any such guarantee.

- Where investments with different credit ratings are held with the same financial institution (for example, where credit ratings for short-term and long-term investments in the same institution are different), the maximum credit rating threshold is determined as follows:
 - investments with the lower credit ratings are subject to the maximum thresholds associated with those relevant credit rating bands
 - investments with the highest credit rating band for that financial institution are subject to a maximum threshold equal to (i) the maximum threshold for the highest credit rating band applicable to that financial institution, less (ii) the total amount of investments held at any time in the lower credit rating bands with the same institution.

Portfolio liquidity parameters

The portfolio liquidity parameters specify the maximum and minimum amounts or percentages of the City’s total investment portfolio that can be held within the various investment maturity bands.

The liquidity / maturity profile of the total portfolio must comply with the parameters shown in the tables below.

Minimum thresholds are set to ensure that there will always be an adequate amount of liquidity available in earlier maturity bands before funds may be committed to longer term investments. The minimum thresholds are obviously higher in the shorter term where liquidity is of the greatest concern.

	1 month	2 to 12 months	1 to 3 Years	3 to 5 Years	> 5 Years
Cumulative Minimum % of Total Portfolio	10% or \$50M <i>(the greater of)</i>	40%	55%	90%	100%

The example below illustrates the effect of the minimum threshold for a \$500M investment portfolio size.

Terms	Parameter (%)	Cumulative Amount	Amount in each category
1 month	10%	50,000,000	50,000,000
2 to 12 months	40%	200,000,000	150,000,000
1 to 3 Years	55%	275,000,000	75,000,000
3 to 5 Years	90%	450,000,000	175,000,000
> 5 Years	100%	500,000,000	50,000,000
			<u>500,000,000</u>

Maximum thresholds are set to control the proportion of the total portfolio that can be invested into longer term investments to ensure that Council has adequate access to short and medium term liquidity to satisfy its business objectives. The maximum thresholds reduce as the maturity horizon extends further into the future.

	1 month	2 to 12 months	1 to 3 Years	3 to 5 Years	> 5 Years
Maximum % of Total Portfolio	100%	80%	40%	35%	10%

The example below illustrates the effect of the maximum threshold for a \$500M investment portfolio size.

Terms	Parameter (%)	Amount in each category
1 month	100%	500,000,000
2 to 12 months	80%	400,000,000
1 to 3 Years	40%	200,000,000
3 to 5 Years	35%	175,000,000
> 5 Years	10%	50,000,000

The relationship of the maximum and cumulative minimum thresholds is illustrated by the following example. Essentially, before an investment can be considered for a particular maturity band, firstly the total portfolio must be in compliance with the cumulative minimum thresholds and secondly, the investment should then not cause the maximum thresholds to be exceeded. As an example, if an investment of 2 years duration is being considered, the following thresholds must be complied with:

- First, at least 40% of the total portfolio must have a maturity date of less than 12 months and 10% of the portfolio (or at least \$50M) must have a maturity date of less than 1 month.
- Secondly, once the investment is added to the portfolio, the total amount of investments maturing between 1 and 3 years may not exceed 40% of the total portfolio.

The thresholds are aimed at ensuring minimum liquidity requirements are always met. Hence, if 45% of the portfolio has a maturity date of less than one month, it means that an investment with a maturity of 1 to 3 years can be made because there is an adequate cumulative threshold of 45% of the portfolio that has a maturity of up to 12 months to meet the 40% minimum threshold i.e. excess levels may be applied to meeting the minimum thresholds of succeeding maturity bands. Upon reinvestment consideration must be given to ensuring that the minimum thresholds of the succeeding maturity bands are always maintained when the shorter term investments mature.

The minimum requirement for very short term access to investments is set at \$50M to ensure adequate liquidity to meet Council’s working capital requirements.

The City may utilise pre-approved overdraft facilities to manage short-term liquidity short falls where it is both prudent and financially advantageous. It is anticipated that this facility would be utilised to avoid penalties arising from early redemption of term deposits or where favourable investments arise a day or two ahead of the maturity dates of existing investments that are earmarked for future investment. Overdrafts should be limited to no more than \$10M and for a duration of no more than 2 weeks.

Breaches of criteria

Procedures for dealing with unavoidable breaches of any particular thresholds are contained in the next section on grandfathering of investments.

Grandfathering of Investments

This policy imposes limits and thresholds in relation to the acquisition and holding of investments. However, situations may occur where inadvertent breaches of these limitations or thresholds arise, other than from the acquisition of investments. For example:

- amendments to regulatory directives or legislation
- changes in the total value or amount of Council's investment portfolio which consequently changes any of the threshold limits so that they no longer meet the portfolio liquidity parameters.

Breach as a result of regulatory change

When limitations or thresholds are breached due to amendments to regulatory directives or legislation, the investment portfolio must be managed in accordance with the respective amendments. Where the amendments enable retention and grandfathering of existing investments, Council may continue to actively manage those investments within the portfolio in accordance with all other regulations and policies applicable to such investments. This includes a strategy of holding or divesting such investments in accordance with regular investment considerations.

Breach in order to meet operational requirements

Where the limitation or threshold is breached for a one-month period, in situations where short term cash is needed for urgent operational use, the breach would be authorised and no further investing activities will be made beyond 30 days.

Breach as a result of change in total investment portfolio

Where limitations or thresholds are breached due to a change in the overall size of the total investment portfolio, the following process will apply:

- an immediate freeze is imposed on the acquisition of new investments in greater than relevant category until the portfolio can be effectively managed back to accord with the requirements of this policy;
- the relevant category of investments must be managed back in accord with the policy limits within a period that takes into account any adversity created by market liquidity, current valuations of these investments and the risks of default.

The immediate forced sale of the investments in breach of the limits or thresholds will not be required.

Investment Strategy

The City will prepare an annual Investment Strategy to guide the management of its surplus cash and investments within the requirements of this policy.

The Investment Strategy will document all key objectives relating to management of cash and investment assets over the short to medium term in the context of prevailing market conditions at the time. The strategy will:

- consider Council's current investment portfolio, its financial position and financial commitments, current legislative constraints and the global investment environment
- specify our investment goals and targets for the forthcoming year.

Mandatory components of Council's Investment Strategy will comprise the management of the following aspects of the investment portfolio:

- risk profile
- liquidity/maturity
- return/income
- environmentally and socially responsible investments

Requirements in respect of each component are detailed below.

Risk Profile

The City's risk profile in relation to investing surplus funds is to be relatively prudent, conservative and risk averse. The profile will be achieved by effectively managing within the investment portfolio:

- the **diversity** of the investments
- the **creditworthiness** of the investments

Diversity is achieved by placing limits on the maximum exposure the City may have to individual:

- funds or financial institutions
- credit rating bands.

Creditworthiness of investments is primarily determined using long and short term credit and fund Industry Standard Credit Ratings of Standard & Poors (S&P), Moodys or Fitch. The City will not invest in non-rated institutions.

Liquidity/Maturity

The cash requirements of the City will be satisfied by monitoring and structuring the total maturity profile of the investment portfolio in accordance with the Investment Policy.

Return/Income

Investment returns are closely correlated to the risk profile of the underlying investments. Appropriate benchmark rates of return will be set in relation to the risk profile and returns will be required to meet or exceed benchmark rates.

Environmentally and socially responsible investments

Subject to compliance with legislation and investment policy objectives and parameters, the City preferences investment securities and financial institutions that meet our socially responsible investments (SRI) criteria. SRI status may be in respect of the individual investment, the issuer of the investment, or both and should be endorsed by an accredited environmentally and socially responsible industry body or institution.

Environmentally and Socially Responsible Investments will be assessed on the same basis as other investment opportunities and the City will select the investment that best meets its overall investment selection criteria.

The City's criteria relating to an SRI are those which:

- direct investment towards the socially and environmentally **productive** activities listed below
- avoid investment in the socially and environmentally **harmful** activities listed below.

The criteria for SRI are all preferred and not mandatory requirements.

Environmentally **productive** activities are considered to be:

- resource efficiency-especially water and energy
- renewable energy
- production of environmentally friendly products
- recycling, and waste and emissions reduction

Socially **productive** activities are considered to be:

- fair trade and provision of a living wage
- human health and aged care
- equal opportunity employers, and those that support the values of communities, indigenous peoples and minorities
- provision of housing, especially affordable or social housing

Environmentally **harmful** activities are considered to be:

- production of pollutants, toxins and greenhouse gases (coal, oil and gas)
- habitat destruction, especially destruction of forests and marine eco-systems.
- nuclear power
- uranium mining

Socially **harmful** activities are considered to be:

- abuse of Human Rights and Labour Rights
- involvement in bribery/corruption
- production or supply of armaments
- manufacture of alcohol, tobacco or gambling products

The City will advocate for the further development of SRI options through engagement with financial institutions.

Evaluation

The policy is evaluated through the measured results required under **Monthly Reporting**.

References

Laws and Standards
<ul style="list-style-type: none"> • Australian Accounting Standards • Office of Local Government – Local Government Code of Accounting Practice & Financial Reporting • Office of Local Government Circulars • Office of Local Government Investment Policy Guidelines • Local Government (General) Regulation 2005 • Local Government Act 1993 • Minister’s Investment Order (gazetted) • Trustee Act 1925 (NSW)
Policies and Procedures
<ul style="list-style-type: none"> • Code of Conduct • Disciplinary Policy & Procedures • Fraud & Corruption Internal Reporting Policy • Investment Strategy

Review period

This policy/procedure will be reviewed every year.

Approval Status

The Chief Executive Officer / Council approved this policy/procedure on [DD MONTH YYYY].

Double-Click to insert Initials

Monica Barone, Chief Executive Officer

(To be completed by Office of CEO on approval or deleted if Council approved policy)

Approval History

Stage	Date	Comment	TRIM Reference
Original Policy	(Date, month, year)	Approved by CEO/Approved by Council	20XX/XXXXXX
Reviewed	(Date, month, year of when it was approved by CEO or Council)	Briefly summarise key changes	20XX/XXXXXX (Governance to populate)
Commence Review Date	(Date, month, year – should be 9 months prior to the end of the next review period)		
Approval Due Date	(Date, month, year of when the next review of the policy is due to be finalised/ approved)		

Ownership and approval

Responsibility	Role
Author	Financial Planning and Reporting Manager
Owner	Chief Financial Officer
Endorser	Chief Executive Officer
Approver	City of Sydney Council

Attachment B

Investment Strategy for the Management of Surplus Funds

Investment Strategy

Purpose

The annual Investment Strategy sets out Council's investment goals and targets for the coming year. The aim of the strategy is to guide the management of Council's investment portfolio over the short to medium term to:

- achieve a balanced and diversified portfolio, in terms of allowable investment products, credit ratings and maturation terms that will outperform the benchmark indices
- ensure liquidity when required for Council's operational and capital expenditure needs.

Scope

The *Investment Strategy* applies to all managers and employees who actively manage the investment of surplus funds or have responsibility for employees who actively manage the investment of surplus funds.

This strategy should be read in conjunction with the *Investment Policy*.

Context

The City's investment strategy is determined after taking into consideration a review of the following issues:

- global and domestic economic investment environments
- investment policy and legislative constraints
- current composition of Council's investment portfolio
- long, medium and short term financial plans.

Global and domestic investment environments

During 2020, the Covid-19 pandemic has created significant uncertainty in financial markets. One of the measures the Reserve Bank of Australia (RBA) has utilised to respond to the crisis has been to reduce the official cash rate downward. The cash rate was reduced on 3 March 2020, to 0.50 percent and again on 20 March 2020, to 0.25 per cent. The market has responded by reducing the rates on offer and the resultant lower investment yields will have a sustained adverse impact on the City's portfolio return. As an additional measure, to encourage ADIs to support businesses during this difficult period the RBA announced a special low-cost Term Funding Facility (TFF) on 19 March 2020. The TFF was varied on 1 September 2020 to provide further support, taking the total funding available to the ADIs at the rate of 0.25% to circa \$200 billion or 5% of outstanding credit.

This growth in inexpensive funding, together with relatively low levels of credit growth, have caused the unintended consequence of effectively shutting down the short-term money market. The City is part of a large sector of the investment market that relies on an active short-term money market issuing wholesale term deposits and other senior debt products such as floating rate notes. These investment types reflect a conservative investment policy, and the mandates of the Ministerial Investment Order.

The increase in the TFF offers a low cost funding option for eligible ADIs, and most have taken the option at the expense of wholesale deposits. The City, like many other investors, has faced the unusual challenge of finding a bank willing to take their investment funds.

Investment advice obtained by the City suggests that a new senior unsecured (FRN) issue is highly unlikely from any of the banks for the foreseeable future and potentially as long as 12 months. An active wholesale deposit market equivalent to pre-pandemic levels is also considered unlikely for the same period. While many foreign banks who have not been eligible for TFF funding are still actively sourcing deposits, in the wholesale term deposit market, the City intends to continue a policy of conservative investment management, and does not propose to broaden investment parameters at this time. Interest rates, already low over a sustained period, have further reduced in the past year as a result of the Covid-19 pandemic and the response measures detailed above. At the time of writing this low interest rate environment is anticipated to continue for the longer term.

In Australia, a history of prudent regulation of the financial institutions by the Australian Prudential Regulation Authority (APRA) has meant that Australian based regulated financial institutions have already operated for an extended period under stringent capital adequacy and liquidity requirements. Council’s investments all fall under APRA regulation with the result that the portfolio is conservative and secure.

Legislative environment

Council’s investment opportunities are constrained by a combination of legislation, regulation and any directions and guidelines issued by the Minister or the Office of Local Government.

There has been no change to the investment legislative environment for a number of years and the most recent Ministerial Investment Order released in January 2011 continues to limit Council’s investment options to:

- term deposits with Approved Deposit-taking Institutions (ADIs)
- other ADI senior ranked securities
- investments with NSW Treasury Corporation (T-Corp)
- funds or securities issued or guaranteed by the Commonwealth or any State or Territory.

Composition of Council’s investment portfolio

The conservative nature of Council’s Investment Strategy is clearly reflected in the structure of the portfolio, where 100% of the portfolio is invested with APRA-regulated ADIs.

Council’s current portfolio is as follows (as at the end of September 2020):

Investment	Split
Big Four banks	66%
Australian mid-tier banks	33%
Foreign controlled Australian based ADIs	1%
Total APRA-regulated ADIs	100%

The allocation of assets within the portfolio is with very secure institutions. In the past year, Council has diversified the portfolio with further selected investment into the Australian mid-tier banks as they continue to reflect strength and stability.

Investment strategy

Council's investment portfolio will continue to be prudently managed in accordance with:

- Council's Investment Policy and related legislative and regulatory requirements,
- documented risk management procedures to preserve capital; and
- Council's operational and capital funding requirements.

Objectives

Council's investment strategy for the period is to maintain the highly secure profile of the portfolio, provide liquidity and deliver competitive investment returns commensurate with the portfolio structure.

As noted in the investment policy, the City's primary objective in the purchase of financial investments is to collect contractual cash flows (i.e. interest revenue) over the life of the investment, and redeem the principal sum at maturity, rather than to regularly trade to make a profit. This constitutes a 'Held-to-Maturity business model'; one of three options described under AASB 9 – Financial Instruments. Under AASB 9, the classification and measurement of financial instruments is determined by an entity's business model.

Risk profile

The risk profile for the Council's investment portfolio is based on the principles of being prudent, conservative and risk averse. This is achieved by managing the diversity and creditworthiness of investments in accordance with the Investment Policy and other relevant requirements.

Council's capital funding requirements will continue to remain high over the next few years, including the funding of infrastructure development for Green Square, possible community and commercial property acquisitions and the purchase of land for future open space. As a result, the maturity profile of the investment portfolio has become more concentrated in the short and medium term rather than the longer term.

As a consequence, the proportion of longer dated floating rate notes in the portfolio is reducing while the proportion of short to medium dated term deposits and floating rate notes are increasing. All of these investments are with APRA regulated financial institutions so that credit risk remains minimal. The maturity profile of the investments is adequately spread over those periods to ensure that liquidity and maturity risks are also kept to a minimum.

The most favourable market for term deposits is mainly with the APRA regulated Australian mid-tier banks with the result that these banks comprise approximately 33% of investment holdings at the time of writing and provide diversity within the portfolio.

Liquidity / Maturity

The majority of the City's cash and investments portfolio is held as internally restricted and externally restricted cash reserves to satisfy the City's legislative responsibilities and to set aside specific funds for Council's funding commitments to the major initiatives within the Sustainable Sydney 2030 Community Strategic Plan, including the Green Square Town Centre and sustainable energy projects.

As noted above, present demands for funding of capital projects and property acquisitions have resulted in a corresponding shift in the maturity profile of the investment portfolio towards shorter term investment maturities.

To ensure the City has available funds to meet both these commitments and its short-term operational and capital cash commitments, the following liquidity targets are set in accordance with the Investment Policy.

Investment period	Cumulative Minimum % of total portfolio	Maximum % of total portfolio
1 month	10% or \$50M	100%
2 to 12 months	40%	80%
1 to 3 Years	55%	40%
3 to 5 Years	90%	35%
> 5 Years	100%	10%

The City’s liquidity is monitored on a daily basis to ensure the City’s cash requirements are met and that liquidity parameters remain within allowable limits set out in the *Investment Policy*.

Return / Income

The City uses the following benchmarks to measure investment performance, in relation to both current month and 12-month rolling returns, against its return/income objectives:

- Bloomberg AusBond Bank Bill Index
- 30 day Bank Bill Rate as published by the Australian Stock Exchange (ASX).

The City aims to achieve returns equal to or above these benchmark rates for the period. However, this achievement remains secondary to the critical strategies of maintaining a prudent and conservative risk profile and in meeting Council’s liquidity needs.

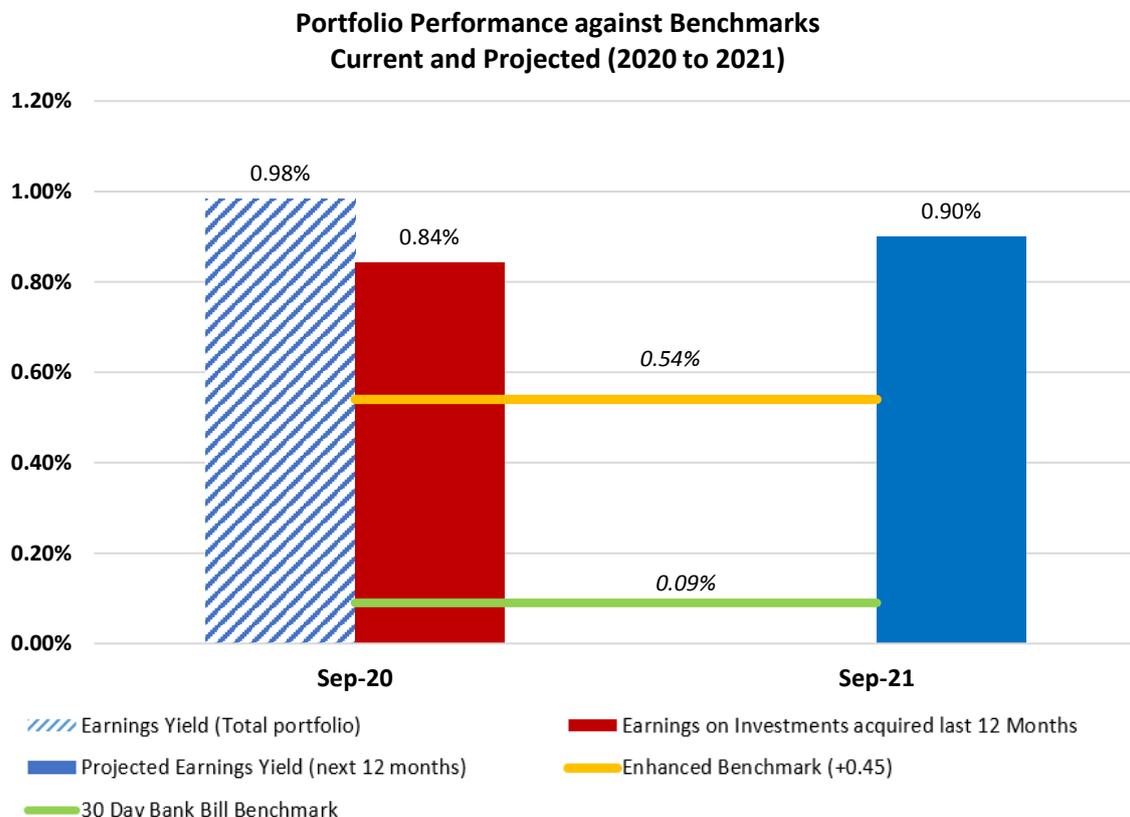
The City’s current cash balances are applied in meeting immediate operational and capital commitments as well as future year’s capital commitments. The City over the past few years took the opportunity to invest the funds that are required for future years into long term secure higher yielding investments before the interest rates relating to those investments began to decline. This strategy is one of the main reasons as to why the City currently delivers income returns in excess of the benchmark rates. However, this gap is continuing to narrow over time as these higher yielding investments mature and new investments are made at the currently offered lower yields.

Since 2015, the City has utilised an additional strategic benchmark rate to measure its investment performance by exceeding the 30 day benchmark returns, by at least 45 additional basis points (0.45% p.a.). The 45 basis point increase is based on observed historical average increased credit spreads (or margins) over bank bill rates on offer in relation to 30–90 day investments. The 30-90 bank bill rates represented a reflective benchmark at the time of adoption, but this spread has reduced in recent months.

Additionally, 2021 will present continued challenges to the City in delivering higher investment income returns, including the following:

- Interest rates continue to remain at low levels and expectations are that in the medium-term they may remain at these levels.
- A small number of long-term investments that are locked in at higher rates offered in previous years continue to mature. As these funds can now only be reinvested at the current lower yields offered in the market, average earnings will continue to fall.
- The City's cash position, whilst reasonably resilient and showing signs of recovery, has been negatively impacted as the economic consequences of the pandemic affect major revenue streams including parking services, commercial property income and timely payment of rates and annual charges, and additional expenditure is incurred as part of Covid-19 community support measures. Lower cash balances combined with lower rates of returns on financial investments will continue to affect the City's interest revenue.

The following chart illustrates how earnings yields may potentially be impacted over the coming year as a result of the above factors. The chart assumes the re-investment of maturing deposits at prevailing rates at the time of writing. The narrowing of the gap between actual investment returns and the investment benchmarks is evident. Additionally, the chart also reflects the current lower earnings yield on investments acquired during the last 12 months when interest rates have been at historically low levels.



Environmentally and Socially Responsible Investments

Council’s ability to acquire environmentally and socially responsible investments within the current investment and policy environment remains limited, as:

- the structure of many of these investments remains prohibited under the current Ministerial Investment Order; and
- the global financial crisis caused significant declines in the valuation of the financial assets that comprise many of these investments.

Council will, however, continue to explore opportunities for supporting environmentally and socially responsible investments within these constraints. The investment climate is changing over time and Council notes that many large scale renewable projects are expected to evolve, which may offer sustainable investment opportunities in the future. There has been a significant increase in acquiring environmentally and socially responsible investments, but we remain constrained by our own policy and are limited by market condition. Council will continue to encourage and give preference to these investments where they comply with the Ministerial Investment Order and satisfy Council’s policy and investment objectives.

References

Laws and standards	<ul style="list-style-type: none"> • Local Government Act 1993 • Local Government (General) Regulation 2004 • Ministerial Investment Order • Local Government Code of Accounting Practice and Financial Reporting • Australian Accounting Standards • Office of Local Government Circulars
Policies and procedures	<ul style="list-style-type: none"> • Investment Policy

Approval

Review

Review period	Next review date	TRIM reference
The Code of Accounting Practice & Financial Reporting requires Council to undertake an annual review of its Investment Policy and Investment Strategy.	October 2021	

Item 6.

Proposed Land Classification - 506-518 Gardeners Road, Alexandria

File No: X038472

Summary

The purpose of this report is to obtain Council approval to notify a proposed resolution to classify as operational land parts of 506-518 Gardeners Road, Alexandria, specifically Lot 2 within deposited plan 1231238, which is to be transferred by Equinix Australia Pty Ltd (the Developer) to the City in accordance with a Planning Agreement.

In August 2018, the City entered into a Planning Agreement with the Developer in relation to a development at 506-518 Gardeners Road, Alexandria. The Planning Agreement requires the Developer to transfer portions of the land to the City for a future road. A Deed of Variation to the Planning Agreement was executed on 12 August 2020 to defer the completion of the temporary landscaping works to the transferred land until the issue of the final Occupation Certificate or within 36 months of the issue of the first Occupation Certificate – whichever is the earliest. The effect of the Deed was to allow the development to be completed in stages by occupying the transfer land to continue the construction activities on later building stages and complete the temporary landscaping works as part of the final stage of the development.

A Subdivision Application was lodged with the City in May 2020, to create two new parcels of land. In conjunction, the Developer is now preparing to transfer the relevant parcel of land (Lot 2 in DP 1231238) to the City, once the application is approved.

Following the transfer, the Developer will continue to occupy the land under a Construction Access Licence (Licence) for a maximum period of 36 months or until the construction of the adjacent building is complete, whichever is the earliest. At the conclusion of the term of the Licence, the Developer will return the land to the City's control, landscaped in accordance with the requirements of the Planning Agreement as amended.

It is essential that the parcel of land be classified as operational for the duration of the construction access licence to facilitate the Developer's construction works, and until such time as the City has secured the adjacent land to allow the future construction of the road.

This report seeks Council's endorsement to notify a proposed resolution to classify the above-mentioned parcels as operational land under the Local Government Act 1993.

Recommendation

It is resolved that Council:

- (A) endorse public notification of the proposed resolution: "It is resolved to classify proposed Lot 2 in Deposited Plan 1231238 being land proposed to be transferred to Council for future public purposes as road at 506-518 Gardeners Road Alexandria, as operational land in accordance with section 31 of the Local Government Act 1993"; and
- (B) note that a further report to Council, to inform of the outcomes of public notification and recommendation of land classification, will follow the notification period.

Attachments

Attachment A. Identification Plans including Future Road and Green Links

Background

1. On 5 July 2018, deferred commencement consent was granted for a concept proposal for a staged construction of a part 3 and 4 storey data centre to be operated 24 hours, 7 days per week. The proposal includes the detailed design and approval of Stage 1 works including construction and use of a three storey building to the northern portion of the site for data centre operations, new internal roads, 33 at grade car parking spaces, fencing and landscaping at 506-518 Gardeners Road, Alexandria.
2. Concurrent to the development consent, the City entered into a Planning Agreement with the owner, Equinix Australia Pty Ltd. The Planning Agreement provides for the transfer of land to the City and the construction of temporary landscaping for a future road reserve prior to the issue of the first Occupation Certificate.
3. On 12 August 2020, the City entered into a Deed of Variation to the Planning Agreement to defer the completion of the temporary landscaping works until the final Occupation Certificate, or within 36 months of the issue of the first Occupation Certificate, whichever is the earliest. The effect of the Deed was to allow the development to be completed in stages.
4. In May 2020, the City received a subdivision application providing for the creation of two lots, as per the following schedule:
 - (a) Lot 1, development lot; and
 - (b) Lot 2, future road reserve of 2,245 square metres.
5. Lots 1 and 2 are presently owned by Equinix Australia Pty Ltd (the Developer) and are due to be remediated and transferred to the City in accordance with the Planning Agreement, following approval of the subdivision application.
6. The Developer will be required to enter into a Construction Access Licence with the City to occupy Lot 2 during the continued construction activity.
7. Lot 2 will be landscaped at the conclusion of the Construction Access Licence in accordance with the requirements of the Planning Agreement as amended.
8. Lot 2 will remain landscaped until such time as the City has secured the adjacent land to allow the future construction of the road and which will then be dedicated as a public road.
9. To facilitate the construction of the development, and of the road by the City in the future, it is recommended that an interim operational land classification be applied.

Organisational Impact

10. There is no organisational impact arising from the proposed resolution to classify this lot as operational land.

Financial Implications

11. The classification of land under the Local Government Act 1993 does not have any direct budgetary implications. Once the abovementioned parcel of land is transferred to the City, it will be recognised as in-kind contributions income, and held as a land asset in accordance with the City's Infrastructure, Property, Plant and Equipment Asset Recognition and Capitalisation Policy.

Relevant Legislation

12. The following sections of the Local Government Act 1993 are relevant:
 - (a) Section 25 requires all public land to be classified as either community or operational land;
 - (b) Section 31(2) permits Council to resolve to classify land prior to acquisition;
 - (c) in satisfaction of section 31(3), the proposed resolution is not inconsistent with the planning agreement (as registered on title) nor any other Act or the terms of any trust applying to the land; and
 - (d) Section 34 requires the proposed resolution to classify be publicly notified and made available for inspection by the public for a period of 28 days.

Critical Dates / Time Frames

13. The land needs to be classified within three months of land transfer to the City or the land automatically reverts to a community classification. As the land is proposed to transfer to the City in late October 2020 the classification would need to be endorsed no later than late January 2021. The land may be classified as operational prior to transfer to the City.

Options

14. If the land is not classified as operational within three months of transfer to the City, it will revert to a community classification under the Local Government Act 1993. A community classification for unimproved land to be embellished by the City would restrict and impede the City's capacity to undertake the construction of the public infrastructure and unnecessarily complicate the ultimate dedication as public road and public reserve.

Public Consultation

15. Subject to Council endorsing the recommendation, the proposed resolution will be publicly notified as soon as possible for a minimum period of 28 days.
16. All submissions will be considered in the subsequent Council report to endorse.

AMIT CHANAN

Director, City Projects and Property

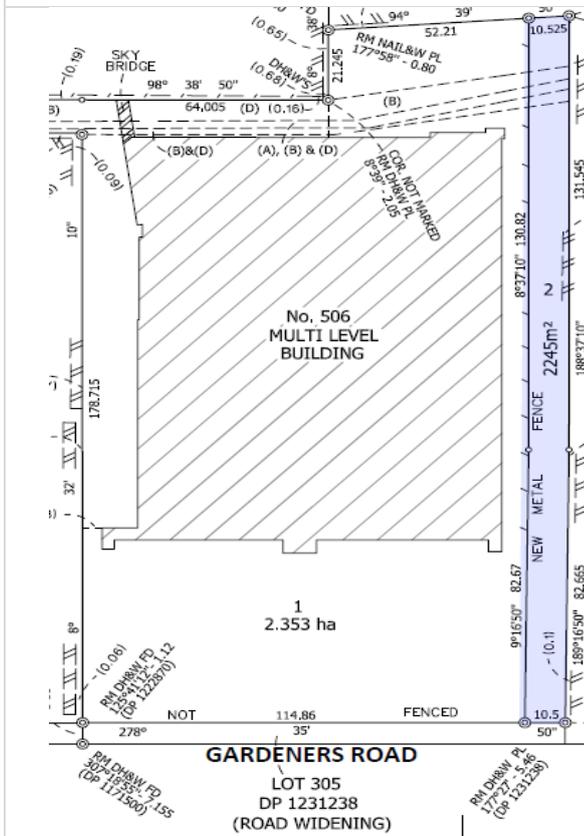
Nicholas Male-Perkins, Commercial Manager

Attachment A

**Identification Plans including Future Road
and Green Links**

Identification Plans

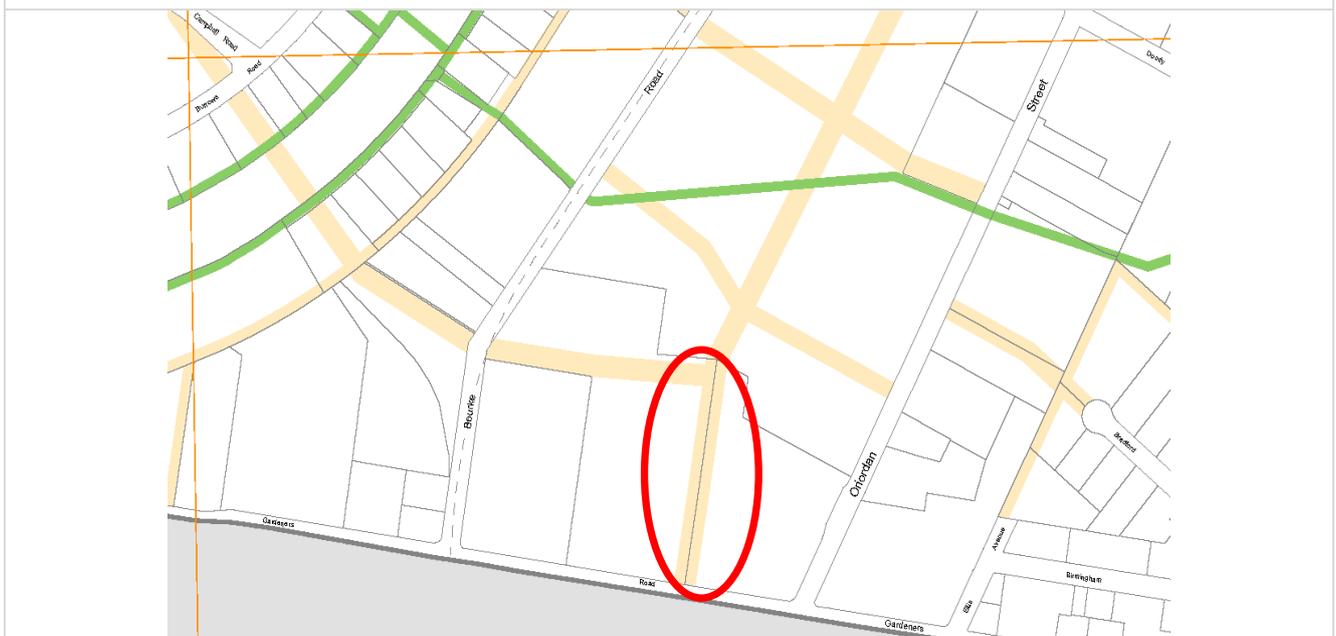
Plan of Subdivision Proposed Lot 2



- Red shaded = setbacks
- Blue shaded = land subject to VPA
- Green shaded = future transfer land



Future Road Network and Green Links



Item 7.

Exemption from Tender – George Street South Pedestrianisation

Document to Follow

Item 8.**Exemption from Tender and Contract Variation - Head Design Consultant - Perry Park Stage 2****File No: X021328****Tender No: 1191****Summary**

This report seeks an exemption from tender for Perry Park Stage 2 for extended Head Design Consultant services and requests Council approve an increase in contingency.

The consultant was first engaged in April 2012 for full design services for a six-court multipurpose indoor sports facility and external landscape works. In June 2014, Council endorsed a developed scope from a single-stage six-court facility to a two-stage two-plus-two court facility.

The change from a single to multi-staged project, as well as scope development, resulted in several significant amendments to the head consultant contract contingency, scope of services, timeframes and fees.

In June 2019, the Chief Executive Officer increased the contract contingency, allowing for amendments to the Stage 2 documentation as well as head consultant construction stage services capped up to 44 weeks.

This report recommends that Council grant an exemption from tender for Perry Park Stage 2 for extended head design consultancy services and approve an increase to the contract contingency to allow for the completion of the project scope.

There are sufficient funds allocated for this project within the current year's capital works budget and future years' forward estimates for the requested increased contract contingency.

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Recommendation

It is resolved that:

- (A) Council approve an exemption from tender for Perry Park Stage 2 for additional contract contingency to allow for extended construction and post construction stage services;
- (B) Council note that a satisfactory result would not be achieved by inviting tenders for this work because the consultant is already engaged, and work is well underway; and
- (C) authority be delegated to the Chief Executive Officer to negotiate, execute and administer/vary the contracts relating to Perry Park Stage 2.

Attachments

Attachment A. Financial Implications (Confidential)

Background

1. The Perry Park Multipurpose Recreation Centre Stage 2 scope is for the delivery of two indoor multipurpose recreation courts, associated facilities including amenities and administrative spaces, court seating and external landscape works. These Stage 2 construction works follow on from the Stage 1 works completed in March 2019.
2. The Head Design Consultant was engaged in April 2012 for Stage 1 full design consultancy services for the delivery of a six-court multipurpose indoor sports facility, amenities, changerooms, a multi-purpose synthetic field and a minor park upgrade. A contingency was approved.
3. In June 2014, a Scope Report and Exemption from Tender was endorsed by Council. The project scope was amended from a six-court facility to a staged two-plus-two court facility. Stages 1 and 2 were endorsed to proceed to planning approval and construction documentation, whilst Stage 1 only was recommended to proceed to construction. The head consultant contract contingency was amended to reflect the scope change.
4. In June 2019, the Chief Executive Officer increased the contract contingency, allowing for amendments to the Stage 2 documentation as well as head consultant construction stage services capped up to 44 weeks.
5. Stage 2 Construction works commenced in July 2020 with a construction program of 66 weeks (including delay allowance). The head consultant has now amended their fees to align with the contractor's program, include subconsultants construction stage services, as well as head consultant post construction stage services for a 12-month defect liability period.
6. The original consultancy contract sum and all previously approved contingencies for the Head Design Consultant have now been allocated and a further extension of the contract is required for additional construction stage services necessary for project completion.

Key Implications

Strategic Alignment - Sustainable Sydney 2030

7. Sustainable Sydney 2030 is a vision for the sustainable development of the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress. This report is aligned with the following strategic directions and objectives:
 - (a) Direction 6 - Vibrant Local Communities and Economies. The completion of this development will make a substantial contribution to Perry Park by delivering accessible community level social infrastructure, services and programs; and
 - (b) Direction 9 - Sustainable Development, Renewal and Design – this project will contribute by improving the City's parks and encouraging active recreation.

Financial Implications

8. There are sufficient funds allocated for this project within the current year's capital works budget and future years' forward estimates for the requested increased contract contingency.

Relevant Legislation

9. The exemption from tender process has been conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Procurement and Contract Management Policy.
10. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.
11. Attachment A contains confidential commercial information of the tenderers and details of Council's tender evaluation and contingencies which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
12. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

13. If approved by Council, the timeframe for the project is:
 - (a) Completion of construction works December 2021
 - (b) Completion of Defect liability period December 2022

Options

14. The City could go to tender for the remaining design consultant services required to complete the project. This option is not recommended as the consultant successfully completed the Stage 1 works and has commenced work on Stage 2. It would not present value for money to tender and engage someone else to do this work. The time taken to undertake a new tender process could further delay completion of the project.
15. Completion of the project without a head design consultant is not recommended as continuation of consultancy services is necessary to ensure the design integrity of the built outcome and compliance with architectural documentation and specifications.

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Public Consultation

16. No public consultation has been undertaken in relation to this contract extension.

AMIT CHANAN

Director City Projects and Property

Narelle Naumcevski, Design Manager, City Projects

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By virtue of the Local Government Act 1993 Section 10A Paragraph 2

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Item 9.**Exemption from Tender and Contract Variation - Construction Services - Joynton Avenue and Zetland Avenue**

File No: X009530

Summary

The contract for the upgrade of Joynton Avenue and the construction of Zetland Avenue (East), was awarded to Ford Civil Constructions Pty Ltd by Council on 6 May 2019. Site works commenced in June 2019 and are expected to finish in early 2021.

Due to additional site complexity and latent conditions during the construction period, the scope has changed with a re-programming of the roadworks to meet both the City's and Gunyama Park Aquatic and Recreation Centre (GPARC) time lines.

The additional scope includes new electrical services from the hospital site to Gunyama Park Aquatic and Recreation Centre, provision of new sewer infrastructure from Gunyama Park Aquatic and Recreation Centre to the existing Sydney Water main sewer line, and the replacement of the water supply system which is nearing the end of its effective design life. Latent ground conditions are also being managed during the current site works.

The additional requirements have resulted in cost increases and required the creation of Separable Portions, after the contract was awarded, to enable practical and contractual control of the works. The scope changes and associated costs are being negotiated with the contractor as they arise during construction.

This report is seeking a Council approval for an exemption from tender for the costs of the additional scope.

Recommendation

It is resolved that:

- (A) Council approve an exemption from tender for the provision of construction services and approve the increase of contract contingency for the Joynton Avenue and Zetland Avenue, Zetland project due to extenuating circumstances;
- (B) Council note the reasons a satisfactory outcome would not be achieved by inviting tenders are:
 - (i) a contractor for the construction works has already been appointed in accordance with the City's procurement processes; and
 - (ii) the additional cost required to establish another contractor on site is not considered value for money;
- (C) Council approve a transfer of surplus funds from the Zetland East budget to cover a shortfall in the Joynton Avenue budget, noting these two projects have been combined into a single construction contract; and
- (D) authority be delegated to the Chief Executive Officer to negotiate, execute and administer any documentation required for the purpose of effecting the increase to the contract contingency referred to in (A) above.

Attachments

- Attachment A.** Financial and Contractual Implications to the Existing Ford Civil Contracting Contract (Confidential)

Background

1. This project is part of the City's Green Square Town Centre development program, which is the centre of the Green Square urban renewal area. Joynton Avenue and Zetland Avenue are located in the suburb of Zetland.
2. The project works include a public domain upgrade, new cycleway and road construction, raising of the existing road, and the installation of associated services, including a deep water stormwater drainage system.
3. In May 2019, Council awarded Ford Civil Contracting Pty Ltd a civil and roadworks construction contract to complete the project. Site works commenced in June 2019 and are expected to be completed in early 2021.
4. Additional costs have arisen after the contract was awarded due to additional scope requirements, latent conditions, and the necessary creation of two Separable Portions as noted below:
 - (a) the contract was split into two Separable Portions to enable coordination with the Gunyama Park Aquatic and Recreation Centre construction program. Separable Portion 1 reached Practical Completion in June 2020. Separable Portion 2 will be completed in early 2021;
 - (b) additional works, including new sewer, water and electrical infrastructure, are required to supply the Gunyama Park Aquatic and Recreation Centre; and
 - (c) latent conditions encountered to date include unsuitable soil that required relocation off site. It is likely further latent conditions will be encountered during the remaining site works.

Financial Implications

5. There are sufficient funds within the current year's capital works budget to complete the project.

Relevant Legislation

6. Exemption from tender for The Joynton Avenue and Zetland Avenue project at Zetland is recommended in accordance with Local Government Act 1993, section 55(3)(i).
7. Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Procurement and Contract Management Policy.
8. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.

9. Attachment A contains confidential commercial information of the tenderers and details of Council's tender evaluation and contingencies which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
10. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

11. The contract date for practical completion for all remaining works is currently 30 January 2021.

Options

12. An alternative option would be to tender the additional works, however, this would lead to significantly increased costs and further delay project completion.
13. It is therefore recommended to undertake the additional work by the current contractor, as this will provide significantly better value for money and allow the project to meet critical timelines.

Public Consultation

14. Public consultation is ongoing with the Green Square community.

AMIT CHANAN

Director City Projects and Property

Bruce Gillespie, Senior Delivery Manager

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Item 10.

**Contract Variation – Major Properties Efficiency Improvements (MPEP) –
Energy Efficient Lighting Upgrades**

Document to Follow

Item 11.

Cancellation of Tender - Event Infrastructure, Structures and Equipment for 2020/21 Major Events and Festivals - Part 7

File No: X031267.004

Tender No: 2046

Summary

This report provides details of the tenders received for Event Infrastructure, Structures and Equipment for 2020/21 Major Events and Festivals – Part 7.

The City of Sydney produces a suite of public events throughout its yearly event season. These include:

- Sydney Christmas;
- Sydney New Year's Eve;
- Sydney Lunar Festival;
- Art & About Sydney; and
- capital works launches.

To ensure events are safe and accessible, the City engages contractors who specialise in the supply of crucial event infrastructure and equipment such as toilets, lighting, fencing, access equipment and temporary structures.

The City undertook a Request for Tender (RFT) for the supply of event infrastructure, structures and equipment to facilitate the delivery of its public events for the 2020/21 event season, with two options to extend to cover the 2021/22 and 2022/23 event seasons at the City's discretion. The Request for Tender contained nine Parts. Eight of the parts were successfully awarded following Chief Executive Officer approval, in accordance with the delegation from Council dated 7 August 2017.

This report recommends that Council decline to accept the tender offers for Event Infrastructure, Structures and Equipment for 2020/21 Major Events and Festivals – Part 7 (site vehicles) and cancel that part of the tender. The submissions received for that part did not meet the City's requirements and did not demonstrate value for money. Additional market research will be conducted to identify suitable suppliers, followed by a new procurement process with a revised scope of work.

Recommendation

It is resolved that:

- (A) Council decline to accept the tender offers for Event Infrastructure, Structures and Equipment for 2020/21 Major Events and Festivals – Part 7 – Site Vehicles;
- (B) Council cancel the tender for Event Infrastructure, Structures and Equipment for 2020/21 Major Events and Festivals – Part 7 – Site Vehicles; and
- (C) Council note that additional market research will be conducted to identify suitable suppliers, followed by a new procurement process with a revised scope of work.

Attachments

Attachment A. Tender Evaluation Summary (Confidential)

Background

1. The City's Major Events and Festivals unit produces a portfolio of public events each year. These range from Hallmark status events supported by the NSW Government to small community events. A key objective of the Major Events and Festivals unit is to deliver high quality, accessible, sustainable and safe events for our audiences. To achieve this, the City requires infrastructure, structures and equipment for each event such as toilets, lighting, fencing, barricades and marquees.
2. The infrastructure, structures and equipment required on each event varies, based on the scale, design and format. However, there is significant commonality in the types of items required, and value to the City in engaging a supplier of a particular category to service multiple events.
3. Accordingly, the City sought to engage suppliers for the required categories of infrastructure, structures and equipment for events delivered in the 2020/21 financial year. The inclusion of two one-year extensions, allows the City to extend tenure where appropriate, enabling suppliers to build on knowledge gained from year to year, resulting in improvements to both operational management and guest experience.
4. The Request for Tender was divided into nine parts, each representing a category of event infrastructure or equipment such as portable toilets, fencing, forklifts and access equipment, and event flooring. Tenderers were not required to bid on all parts.
5. The pricing of all parts was on a schedule of rates basis with no minimum guarantee of work. Accordingly, the financial risk to the City should events not occur, such as due to the Covid-19 pandemic, is minimal.
6. Eight of the parts were successfully awarded following the approval of the Chief Executive Officer, in accordance with the delegation from Council dated 7 August 2017. However, the submissions received for Part 7, for the supply of site vehicles, did not meet the City's requirements and did not demonstrate value for money.

Invitation to Tender

7. The Request for Tender was advertised on the City's online eTendering portal and Supply Nation on Tuesday 16 June 2020. The closing date for submissions was 11am Tuesday 7 July 2020.

Tender Submissions

8. Two submissions were received for Part 7 (site vehicles) from the following organisations:
 - Allcott Hire Pty Ltd; and
 - Kennards Hire Pty Ltd.
9. No late submissions were received.

Tender Evaluation

10. All members of the Tender Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.
11. The relative ranking of tenders as determined from the total weighted score is provided in the Confidential Tender Evaluation Summary – Attachment A.
12. All submissions were assessed in accordance with the approved evaluation criteria being:
 - (a) the schedule of rates;
 - (b) demonstrated experience of the organisation and key personnel in providing comparable services on major outdoor events;
 - (c) demonstrated capacity, including suitability of the proposed equipment and services, to carry out the work under the contract;
 - (d) sustainability;
 - (e) demonstrated understanding and compliance with Heavy Vehicle National Law;
 - (f) Work Health and Safety; and
 - (g) financial and commercial trading integrity of the tenderer, including insurances.

Performance Measurement

13. Key Performance Indicators were set out in the Request for Tender documentation:
 - (a) key objectives and deliverables as detailed in the tender specification;
 - (b) quality of work;
 - (c) time;
 - (d) reporting;
 - (e) communication;
 - (f) WH&S compliance; and
 - (g) sustainability.

Financial Implications

14. There are sufficient funds allocated for this project within the current year's operating budget and future years' forward estimates.

Relevant Legislation

15. The tender has been conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Procurement and Contract Management Policy.
16. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.
17. Attachment A contains confidential commercial information of the tenderers and details of Council's tender evaluation and contingencies which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
18. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

19. There are no critical dates or timeframes for the Council to decline to accept the tender offers for, or cancel, Part 7 of the Event Infrastructure, Structures and Equipment for 2020/21 Major Events and Festivals.

Options

20. Additional market research will be conducted to identify suitable suppliers, followed by a new procurement process with a revised scope of work for any site vehicles required for the City's major events and festivals.

Public Consultation

21. No public consultation was undertaken.

EMMA RIGNEY

Director, City Life

Petra Sawicki, Project Manager, Major Events and Festivals

Matilda Conder, Production Manager, Major Events and Festivals

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