

9 November 2020

At 2.00 pm

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

**Agenda**

- 1. Disclosures of Interest**
- 2. Public Presentation of the 2019/20 Financial Statements and Auditor's Report**
- 3. 2020/21 Quarter 1 Review - Delivery Program 2017-2021**
- 4. Investments Held as at 31 October 2020**
- 5. Owners Consent - 56, 58-76, 82-106 and 110-122 Oxford Street, Darlington**
- 6. Property Matter (Confidential)**

**Economic Development and Business Sub-Committee**

- 7. Grants and Sponsorship - Round One 2020/21 - Economic Grants**

## 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](http://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

Statements made by individuals at a council or committee meeting, and which may be contained in a live stream or recording of the meeting are those of the individuals making them, and not of the City. To be clear, unless set out in a resolution of council, the City does not endorse or support such statements.

The City does not accept any liability for statements made or actions taken by individuals during a Council or Committee meeting that may be contrary to law, including discriminatory, defamatory or offensive comments. Such statements or actions are not protected by privilege and may be the subject of legal proceedings and potential liability, for which the City takes no responsibility.

### 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](mailto: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](http://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.

### Public Presentation of the 2019/20 Financial Statements and Auditor's Report

File No: X018037

#### Summary

This report presents the City of Sydney's Annual Financial Statements for 2019/20, along with the auditor's reports, to the public.

At the Council Meeting on 26 October 2020, Council received the Annual Financial Statements and unmodified Auditor's Reports. Council resolved that notice be given for public presentation of the Statements at the Council Meeting on 16 November 2020. At the time of preparing this report no submissions have been received from the public.

As noted in the 26 October 2020 Council report, the Income Statement for the year ended 30 June 2020 shows a Net Surplus (Net Operating Result) for the year of \$105.7M, in accordance with relevant accounting standards and reporting requirements, against a budget of \$36.5M. The Statement of Financial Position reports Net Assets of \$14.3B, an increase of \$2.2B over the year, primarily due to an increase in asset revaluation reserves associated with the revaluation of a number of land and infrastructure asset classes.

The City's external auditor, The Audit Office of New South Wales, addressed the Corporate, Finance, Tenders and Properties Committee on 19 October 2020 and confirmed the City's strong and stable financial position.

## **Recommendation**

It is resolved that Council:

- (A) present the 2019/20 Annual Financial Statements and Auditor's Reports to the public;  
and
- (B) adopt the 2019/20 Annual Financial Reports subject to the receipt of any submissions over the ensuing seven day period.

## **Attachments**

**Attachment A.** Annual Financial Statements 2019/20 (incorporating Auditor's Reports)

## Background

1. The 2019/20 Annual Financial Statements and the auditor's reports were presented to Council on 26 October 2020.
2. The City's external auditor, The Audit Office of New South Wales, issued an unmodified opinion on the City's Annual Financial Statements for 2019/20.
3. Public notice, via the Sydney Your Say website, commencing on 29 October 2020, was given to advise that the Annual Financial Statements and auditor's reports would be presented to the public at the Council meeting of 16 November 2020 (Corporate, Finance, Properties and Tenders Committee meeting on Monday 9 November 2020).
4. A copy of the Annual Financial Statements incorporating the auditors' reports are provided as Attachment A to this report.
5. The Local Government Act 1993 states that any person may make submissions to the Council in respect to the Annual Financial Statements or auditor's reports. Submissions must be made in writing and submitted to Council within seven days after the date on which the reports are presented to the public. Council must ensure that any submissions are forwarded to the auditor.
6. 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 the definition and appropriate benchmarks set for financial indicators. In the interim, the City has reported all mandatory indicators, and additional (supplementary) indicators where it believes these provide more relevant information for the readers of the financial statements.
7. The City is also continuing to seek to work with the Audit Office and the Office of Local Government to improve financial reporting in the local government sector. For example, there is a need to develop transparent approaches to fixed asset valuation that meet Australian Accounting Standards and are consistently and predictably applied across the 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.

## Key Implications

8. The audited Annual Financial Statements are to be presented to the public at the Council meeting of 16 November 2020.

## Financial Implications

9. The City of Sydney's Income Statement for the year ended 30 June 2020 reports a Net Surplus (Net Operating Result) of \$105.7M against a budget of \$36.5M, and the Balance Sheet reports Net Assets of \$14.3B, reflecting a strong and stable financial position.

### **Relevant Legislation**

10. Local Government Act 1993, Sections 418 to 420.

### **Critical Dates / Time Frames**

11. As soon as practicable after Council receives a copy of the auditor's reports, it must fix a date and give public notice for the meeting at which it proposes to present its audited financial statements, together with the auditor's reports, to the public.
12. The meeting is being held within the required statutory window of at least seven days after the date of notice, but not more than five weeks after the auditor's reports and opinion are received by Council.

### **Public Consultation**

13. The 2019/20 Annual Financial Statements and auditor's reports were made available for public viewing electronically via Council's website from 29 October 2020, with printed copies made available upon request.
14. At the time of preparing this report no submissions have been received from the public.

**BILL CARTER**

Chief Financial Officer

# **Attachment A**

**Annual Financial Statements 2019/20  
(incorporating Auditor's Report)**



# General Purpose Financial Statements

Annual Report  
2019 – 2020

## 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](http://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

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#### 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

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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.**



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Clover Moore  
Lord Mayor  
26 October 2020



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Jess Scully  
Councillor  
26 October 2020



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Monica Barone  
Chief Executive Officer  
26 October 2020



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Bill Carter  
Responsible Accounting Officer  
26 October 2020



## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>105,744</b>	<b>94,521</b>
<b>Other comprehensive income:</b>			
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	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>2,078,827</b>	<b>–</b>
<b>Total comprehensive income for the year</b>		<b>2,184,571</b>	<b>94,521</b>
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
<b>ASSETS</b>			
<b>Current assets</b>			
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
<b>Total current assets</b>		<b>590,028</b>	<b>526,832</b>
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>		<b>13,930,065</b>	<b>11,798,577</b>
<b>Total assets</b>		<b>14,520,093</b>	<b>12,325,409</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
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
<b>Total current liabilities</b>		<b>173,127</b>	<b>200,632</b>
<b>Non-current liabilities</b>			
Contract liabilities	14b	23,714	–
Lease liabilities	15b	13,530	–
Provisions	17	26,779	26,314
<b>Total non-current liabilities</b>		<b>64,023</b>	<b>26,314</b>
<b>Total liabilities</b>		<b>237,150</b>	<b>226,946</b>
<b>Net assets</b>		<b>14,282,943</b>	<b>12,098,463</b>
<b>EQUITY</b>			
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
<b>Total equity</b>		<b>14,282,943</b>	<b>12,098,463</b>

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)	–	–	–	–
<b>Restated opening balance</b>		<b>3,909,342</b>	<b>4,596,225</b>	<b>3,592,805</b>	<b>12,098,372</b>	<b>3,814,912</b>	<b>4,596,226</b>	<b>3,592,804</b>	<b>12,003,942</b>
Net operating result for the year		105,744	–	–	105,744	94,521	–	–	94,521
<b>Restated net operating result for the period</b>		<b>105,744</b>	<b>–</b>	<b>–</b>	<b>105,744</b>	<b>94,521</b>	<b>–</b>	<b>–</b>	<b>94,521</b>
<b>Other comprehensive income</b>									
– Gain (loss) on revaluation of IPP&E	11	–	830,101	1,248,726	2,078,827	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>830,101</b>	<b>1,248,726</b>	<b>2,078,827</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total comprehensive income</b>		<b>105,744</b>	<b>830,101</b>	<b>1,248,726</b>	<b>2,184,571</b>	<b>94,521</b>	<b>–</b>	<b>–</b>	<b>94,521</b>
Transfers between equity items		(18,463)	(11,686)	30,149	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>3,996,623</b>	<b>5,414,640</b>	<b>4,871,680</b>	<b>14,282,943</b>	<b>3,909,433</b>	<b>4,596,226</b>	<b>3,592,804</b>	<b>12,098,463</b>

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

<b>Original unaudited budget 2020</b>	<b>\$ '000</b>	Notes	<b>Actual 2020</b>	<b>Actual 2019</b>
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
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
<b>Payments:</b>				
(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)
<b>153,863</b>	<b>Net cash provided by (or used in) operating activities</b>	19b	<b>147,039</b>	<b>156,332</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
161,995	Sale/Redemption of investment securities		886,500	649,000
41,594	Sale of infrastructure, property, plant and equipment		88,439	8,307
<b>Payments:</b>				
–	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)
<b>(205,589)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(174,381)</b>	<b>(141,820)</b>
<b>Cash flows from financing activities</b>				
<b>Payments:</b>				
–	Lease liabilities (principal repayments)		(109)	–
<b>–</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(109)</b>	<b>–</b>
<b>(51,726)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(27,451)</b>	<b>14,512</b>
148,876	Plus: cash and cash equivalents – beginning of year	19a	150,887	136,375
<b>97,150</b>	<b>Cash and cash equivalents – end of the year</b>	19a	<b>123,436</b>	<b>150,887</b>
304,251	plus: Investments on hand – end of year	7(b)	509,357	472,543
<b>401,401</b>	<b>Total cash, cash equivalents and investments</b>		<b>632,793</b>	<b>623,430</b>

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

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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)

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#### (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)

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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).*

	<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>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
<b>Functions or activities</b>										
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	–	–
<b>Total functions and activities</b>	<b>732,218</b>	<b>746,261</b>	<b>626,474</b>	<b>651,740</b>	<b>105,744</b>	<b>94,521</b>	<b>18,047</b>	<b>13,793</b>	<b>14,520,093</b>	<b>12,325,409</b>

# 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
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
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)
<b>Rates levied to ratepayers</b>		<b>301,608</b>	<b>303,818</b>
Pensioner rate subsidies received	1058 (1)	361	365
<b>Total ordinary rates</b>		<b>301,969</b>	<b>304,183</b>
<b>Annual charges</b>			
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; 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)
<b>Annual charges levied</b>		<b>58,558</b>	<b>50,578</b>
<b>Total annual charges</b>		<b>58,558</b>	<b>50,578</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>360,527</b>	<b>354,761</b>

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>(b) User charges and fees</b>			
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
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
<b>Total fees and charges – statutory/regulatory</b>		<b>22,834</b>	<b>23,960</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
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
<b>Total fees and charges – other</b>		<b>89,540</b>	<b>92,687</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>112,374</b>	<b>116,647</b>

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
<b>(c) Other revenues</b>			
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
<b>TOTAL OTHER REVENUE</b>		<b>60,551</b>	<b>42,264</b>

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
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	4,776	5,329	–	–
Financial assistance – local roads component	1058 (1)	1,363	1,465	–	–
<b>Total general purpose</b>		<b>6,139</b>	<b>6,794</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
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	–	–
<b>Total specific purpose</b>		<b>6,790</b>	<b>5,414</b>	<b>5,118</b>	<b>1,585</b>
<b>Total grants</b>		<b>12,929</b>	<b>12,208</b>	<b>5,118</b>	<b>1,585</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		8,345	9,003	3,175	–
– State funding		4,584	3,205	1,943	1,585
		<b>12,929</b>	<b>12,208</b>	<b>5,118</b>	<b>1,585</b>

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
<b>(e) Contributions</b>						
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.4 – contributions using planning agreements		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
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>48,741</b>	<b>36,884</b>
<b>Non-cash contributions</b>						
S 7.4 – contributions using planning agreements		1058 (1)	–	–	4,222	14,461
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	184	–
<b>Total developer contributions non-cash</b>			<b>–</b>	<b>–</b>	<b>4,406</b>	<b>14,461</b>
<b>Total developer contributions</b>	29		<b>–</b>	<b>–</b>	<b>53,147</b>	<b>51,345</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
External contributions to capital projects		1058 (1)	–	–	2,090	522
Other		1058 (1)	2,380	2,159	–	–
<b>Total other contributions – cash</b>			<b>2,380</b>	<b>2,159</b>	<b>2,090</b>	<b>522</b>
<b>Non-cash contributions</b>						
Land dedications		1058 (1)	–	–	21,991	6,715
Paving assets		1058 (1)	–	–	3,950	–
<b>Total other contributions – non-cash</b>			<b>–</b>	<b>–</b>	<b>25,941</b>	<b>6,715</b>
<b>Total other contributions</b>			<b>2,380</b>	<b>2,159</b>	<b>28,031</b>	<b>7,237</b>
<b>Total contributions</b>			<b>2,380</b>	<b>2,159</b>	<b>81,178</b>	<b>58,582</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>15,309</b>	<b>14,367</b>	<b>86,296</b>	<b>60,167</b>

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)

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	348	572
– Cash and investments	12,258	16,864
<b>Fair value adjustments</b>		
– Recovery of prior year losses – Collateralised Debt Obligations (CDOs)	1,260	40
<b>Amortisation of premiums and discounts</b>		
– ‘Held to maturity’ investments	14	19
<b>Total Interest and investment income</b>	<u>13,880</u>	<u>17,495</u>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	348	572
General Council cash and investments	6,299	5,566
<b>Restricted investments/funds – external:</b>		
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
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	5,174	7,858
<b>Total interest and investment revenue</b>	<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
<b>(a) Employee benefits and on-costs</b>		
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
<b>Total employee costs</b>	<b>257,625</b>	<b>246,392</b>
Less: capitalised costs	(6,510)	(7,428)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>251,115</b>	<b>238,964</b>
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>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on leases	263	–
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>263</b>	<b>–</b>

**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
<b>(c) Materials and contracts</b>		
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 <sup>2</sup>	212	207
<b>Legal expenses:</b>		
– 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	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	811
Asset maintenance and minor purchases	8,145	8,191
Other	2,368	2,060
<b>Total materials and contracts</b>	<b>159,800</b>	<b>143,073</b>
Less: capitalised costs	(688)	(935)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>159,112</b>	<b>142,138</b>

**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
	<b>–</b>	<b>811</b>

**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
<b>Remuneration for audit and other assurance services</b>	<b>212</b>	<b>207</b>
<b>Total Auditor-General remuneration</b>	<b>212</b>	<b>207</b>
<b>Total Auditor remuneration</b>	<b>212</b>	<b>207</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		11,954	12,014
Office equipment		2,661	2,162
Furniture and fittings		3,544	4,198
<b>Infrastructure:</b>	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
<b>Right of use assets</b>	15	461	–
<b>Other assets:</b>			
– 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
<b>Total gross depreciation and amortisation costs</b>		<u>116,623</u>	<u>106,943</u>
<b>Total depreciation and amortisation costs</b>		<u>116,623</u>	<u>106,943</u>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</b>		<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
<b>(e) Other expenses</b>		
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
<b>Total other expenses</b>	<b>99,361</b>	<b>100,095</b>
Contribution to Transport for NSW – Light Rail CBD to South East <sup>1</sup>	–	63,600
<b>TOTAL OTHER EXPENSES</b>	<b>99,361</b>	<b>163,695</b>

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

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
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
<b>Total cash and cash equivalents</b>	<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
<b>Investments</b>				
a. 'Financial assets at amortised cost' / 'held to maturity' (2019)	335,250	174,107	216,482	256,061
<b>Total Investments</b>	<u>335,250</u>	<u>174,107</u>	<u>216,482</u>	<u>256,061</u>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<u>458,686</u>	<u>174,107</u>	<u>367,369</u>	<u>256,061</u>
<b>Financial assets at amortised cost</b>				
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
<b>Total</b>	<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)

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#### **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
<b>attributable to:</b>				
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	–
	<u>458,686</u>	<u>174,107</u>	<u>367,369</u>	<u>256,061</u>

\$ '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	–
	<u>153</u>	<u>–</u>
	84,820	91,694
	–	121
	30,984	25,992
	612	506
	<u>116,416</u>	<u>118,313</u>
	<u>116,569</u>	<u>118,313</u>
	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
	<u>328,672</u>	<u>252,352</u>
	<u>445,241</u>	<u>370,665</u>

## 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
<b>Purpose</b>				
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
<b>Total</b>	<b>56,980</b>	<b>31,677</b>	<b>75,118</b>	<b>31,292</b>
<b>Less: provision of impairment</b>				
Rental debtors and User charges & fees	(3,344)	–	(3,613)	–
<b>Total provision for impairment – receivables</b>	<b>(3,344)</b>	<b>–</b>	<b>(3,613)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>53,636</b>	<b>31,677</b>	<b>71,505</b>	<b>31,292</b>
<b>Externally restricted receivables</b>				
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
<b>Total external restrictions</b>	<b>14,659</b>	<b>31,677</b>	<b>28,140</b>	<b>31,292</b>
<b>Unrestricted receivables</b>	<b>38,977</b>	<b>–</b>	<b>43,365</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>53,636</b>	<b>31,677</b>	<b>71,505</b>	<b>31,292</b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
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)
<b>Balance at the end of the year</b>	<b>3,344</b>	<b>3,613</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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#### 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
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	594	–	594	–
<b>Total inventories at cost</b>	<b>594</b>	<b>–</b>	<b>594</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>594</b>	<b>–</b>	<b>594</b>	<b>–</b>
 <b>(b) Other assets</b>				
Prepayments	5,857	–	6,016	–
Future benefits – shared services relating to Sutherland animal shelter	14	126	14	140
<b>TOTAL OTHER ASSETS</b>	<b>5,871</b>	<b>126</b>	<b>6,030</b>	<b>140</b>

#### 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	–
<b>Total non-current assets 'held for sale'</b>		<b>54,915</b>	<b>–</b>	<b>81,334</b>	<b>–</b>
<b>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</b>		<b>54,915</b>	<b>–</b>	<b>81,334</b>	<b>–</b>

## (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 <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers <sup>2</sup>	Adjustments and transfers	Trfs from/(to) held for sale <sup>3</sup> category	Trfs 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) <sup>3</sup>	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
<b>Land:</b>																
– 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
<b>Infrastructure:</b>																
– 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
<b>Other assets:</b>																
– 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
<b>Total Infrastructure, property, plant and equipment</b>	<b>12,818,473</b>	<b>(1,667,619)</b>	<b>11,150,854</b>	<b>46,817</b>	<b>207,918</b>	<b>(2,684)</b>	<b>(109,455)</b>	<b>–</b>	<b>–</b>	<b>(54,915)</b>	<b>(118)</b>	<b>(8,945)</b>	<b>2,087,772</b>	<b>14,882,924</b>	<b>(1,565,680)</b>	<b>13,317,244</b>

(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

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 <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers <sup>2</sup>	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Tfrs from/(to) investment properties	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress <sup>3</sup>	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
<b>Land:</b>														
– Operational land	1,452,565	–	1,452,565	–	31,499	(3,612)	–	7,454	–	55,606	–	1,543,512	–	1,543,512
– Community land	2,634,277	–	2,634,277	–	1,335	–	–	63	–	–	–	2,635,675	–	2,635,675
– Crown land	3,592,804	–	3,592,804	–	–	–	–	–	–	–	–	3,592,804	–	3,592,804
– Land under roads (post 30/6/08)	65,944	–	65,944	–	9,381	–	–	–	–	–	–	75,326	–	75,326
Other structures – trees	116,362	–	116,362	–	1,074	–	–	1,283	–	–	–	118,719	–	118,719
Other structures – poles and lights	106,426	(49,766)	56,660	–	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
<b>Infrastructure:</b>														
– Buildings – non-specialised	1,671,941	(310,461)	1,361,480	129	806	(884)	(27,770)	68,859	–	868	–	1,741,983	(338,495)	1,403,488
– Buildings – specialised	43,330	(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
<b>Other assets:</b>														
– Heritage collections	7,105	–	7,105	–	121	–	–	–	–	–	–	7,227	–	7,227
– Library books	10,301	(7,243)	3,058	–	1,439	–	(1,439)	–	–	–	–	8,240	(5,181)	3,059
– City art	43,430	(8,367)	35,063	–	–	–	(493)	4,278	–	–	–	47,708	(8,860)	38,848
<b>Total Infrastructure, property, plant and equipment - Prior year</b>	<b>12,628,403</b>	<b>(1,586,053)</b>	<b>11,042,350</b>	<b>39,945</b>	<b>128,696</b>	<b>(6,397)</b>	<b>(101,377)</b>	<b>–</b>	<b>(62)</b>	<b>56,474</b>	<b>(8,773)</b>	<b>12,818,473</b>	<b>(1,667,619)</b>	<b>11,150,854</b>

(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

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## 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:

<b>Buildings (by component type):</b>	<b>Years</b>	<b>Infrastructure - Drainage</b>	<b>Years</b>
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	<b>Poles and Lighting</b>	
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	<b>Council Signage</b>	Infinite
Services - Fire (Short Life)	10 to 25		
Services - Fire (Long Life)	40 to 52	<b>Open space and recreational assets</b>	
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	<b>Trees - street and park trees</b>	Infinite
Services - Security (Short Life)	14 to 25		
Services - Lift/Transport (Short Life)	47 to 130	<b>Plant &amp; Equipment</b>	
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
<b>Infrastructure - Roads</b>		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	<b>Other assets</b>	
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)

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#### 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

\$ '000	2020	2019
<b>Owned investment property</b>		
Investment property on hand at fair value	344,700	339,350
<b>Total owned investment property</b>	<u>344,700</u>	<u>339,350</u>

## (a) Reconciliation – owned investment property

**Reconciliation of annual movement:**

<b>Opening balance</b>	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
<b>CLOSING BALANCE – OWNED INVESTMENT PROPERTY</b>	<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) <sup>1</sup>

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
<b>Total minimum lease payments receivable</b>	<u>–</u>	<u>29,136</u>

(d) Investment property income and expenditure – summary  
(2019 only) <sup>1</sup>

<b>Direct operating expenses on investment property</b>	–	(2,796)
<b>Net revenue contribution from investment property</b>	<u>–</u>	<u>(2,796)</u>
plus:		
<b>Fair value movement for year</b>	–	58,427
<b>Total income attributable to investment property</b>	<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
<b>(a) Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	30,043	22,720
Accumulated amortisation	(14,587)	(9,022)
Software work in progress (WIP) balance	5,424	9,750
<b>Net book value – opening balance</b>	<b>20,880</b>	<b>23,448</b>
<b>Movements for the year</b>		
– Development costs capitalised	4,407	7,323
– Amortisation charges	(6,707)	(5,566)
– WIP movement - net	9,582	(4,326)
<b>Closing values at 30 June</b>		
Gross book value	34,451	30,043
Accumulated amortisation	(21,295)	(14,587)
Software work in progress (WIP) balance	15,006	5,424
<b>Total software – net book value</b>	<b>28,162</b>	<b>20,880</b>
<b>(b) Transferable Rights - Heritage Floor Space</b>		
<b>Opening values at 1 July</b>		
Gross book value - opening balance	–	–
<b>Movements for the year</b>		
– Award of heritage floor space on City-owned property	20,688	–
<b>Closing values at 30 June</b>		
Gross book value	20,688	–
<b>Total Transferable Rights - Heritage Floor Space – net book value</b>	<b>20,688</b>	<b>–</b>
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>48,850</b>	<b>20,880</b>

## Accounting policy for intangible assets

## IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and 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)

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#### 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
<b>(a) Contract assets</b>		
Accrued revenue	16,326	–
<b>Total Contract assets</b>	<b>16,326</b>	<b>–</b>

**(i) Externally restricted assets**

There are no restrictions applicable to the above assets.

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

**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
<b>(i) Contract liabilities relating to restricted assets</b>		
<b>Externally restricted assets</b>		
Unspent grants held as contract liabilities	153	–
<b>Contract liabilities relating to externally restricted assets</b>	<b>153</b>	<b>–</b>
<b>Internally restricted assets</b>		
Heritage Conservation Fund	–	23,714
<b>Contract liabilities relating to internally restricted assets</b>	<b>–</b>	<b>23,714</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>153</b>	<b>23,714</b>
<b>Total contract liabilities relating to unrestricted assets</b>	<b>9,116</b>	<b>–</b>
<b>Total contract liabilities</b>	<b>9,269</b>	<b>23,714</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Contract assets and liabilities (continued)

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

**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).

<b>\$ '000</b>	<b>Building</b>	<b>Total</b>
<b>(a) Right of use assets</b>		
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)
<b>RIGHT OF USE ASSETS</b>	<b>13,361</b>	<b>13,361</b>

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

## (i) The maturity analysis

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

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

## (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)

<b>\$ '000</b>	<b>2020</b>
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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
<b>(i) Operating lease income</b>		
<b>Investment properties (per AASB 140)</b>		
Lease income - investment properties	16,723	20,021
<b>Other commercial property income</b>		
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
<b>Total income relating to operating leases</b>	<b>66,942</b>	<b>80,224</b>
<b>(ii) Operating lease expenses</b>		
<b>Investment properties</b>		
Direct operating expenses that generated rental income	2,052	2,796
<b>Other leased assets</b>		
Direct operating expenses for other properties that generated rental income	20,728	19,595
<b>Total expenses relating to operating leases</b>	<b>22,780</b>	<b>22,391</b>
<b>(iii) Repairs and maintenance: investment property</b>		
Contractual obligations for future repairs and maintenance	854	726
<b>Total repairs and maintenance: investment property</b>	<b>854</b>	<b>726</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Leases (continued)

\$ '000	2020	2019
<b>(iv) Maturity analysis of contractual lease income</b>		
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
<b>Total undiscounted contractual lease income receivable</b>	<b>163,038</b>	<b>148,374</b>

**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
<b>Payables</b>				
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	–
<b>Total payables</b>	<b>93,562</b>	<b>–</b>	<b>104,296</b>	<b>–</b>
<b>Income received in advance (2019 only)</b>				
Payments received in advance	–	–	26,776	–
<b>Total income received in advance</b>	<b>–</b>	<b>–</b>	<b>26,776</b>	<b>–</b>
<b>Borrowings</b>				
Nil				
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>93,562</b>	<b>–</b>	<b>131,072</b>	<b>–</b>
<hr/>				
\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Domestic waste management	3,360	–	2,577	–
Payables and borrowings relating to externally restricted assets	3,360	–	2,577	–
<b>Internally restricted assets</b>				
Performance cash bonds, deposits and retentions	23,346	–	25,973	–
Payables and borrowings relating to internally restricted assets	23,346	–	25,973	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>26,706</b>	<b>–</b>	<b>28,550</b>	<b>–</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>66,856</b>	<b>–</b>	<b>102,522</b>	<b>–</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>93,562</b>	<b>–</b>	<b>131,072</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Payables and borrowings (continued)

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

**Accounting policy for payables and borrowings**

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

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

**Payables**

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

**Borrowings**

Borrowings (where applicable) are initially recognised at fair value, net of transaction costs incurred. 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
<b>Provisions</b>				
<b>Employee benefits</b>				
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	–
<b>Sub-total – aggregate employee benefits</b>	<b>63,218</b>	<b>5,979</b>	<b>61,517</b>	<b>5,988</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	4,000	–	4,000
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>4,000</b>	<b>–</b>	<b>4,000</b>
<b>Other provisions</b>				
Self insurance – workers compensation	3,598	11,654	3,113	11,164
Self insurance – public liability	–	404	166	1,049
Superannuation	–	4,742	–	4,113
Other	3,297	–	4,763	–
<b>Sub-total – other provisions</b>	<b>6,895</b>	<b>16,800</b>	<b>8,043</b>	<b>16,326</b>
<b>TOTAL PROVISIONS</b>	<b>70,113</b>	<b>26,779</b>	<b>69,560</b>	<b>26,314</b>

#### (a) Provisions relating to restricted assets

<b>Internally restricted assets</b>				
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
<b>Total provisions relating to restricted assets</b>	<b>3,598</b>	<b>12,058</b>	<b>3,279</b>	<b>12,213</b>
<b>Total provisions relating to unrestricted assets</b>	<b>66,515</b>	<b>14,721</b>	<b>66,281</b>	<b>14,101</b>
<b>TOTAL PROVISIONS</b>	<b>70,113</b>	<b>26,779</b>	<b>69,560</b>	<b>26,314</b>

\$ '000	2020	2019
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#### (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	
<b>2020</b>						
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
<b>2019</b>						
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	
<b>2020</b>						
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
<b>2019</b>						
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)

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#### **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*.

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

<b>\$ '000</b>	<b>Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058</b>	<b>Reclassific- ation</b>	<b>Remeasur- ement</b>	<b>Carrying amount under previous revenue standards</b>
<b>Current assets</b>				
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
<b>Total current assets</b>	<b>590,028</b>	<b>–</b>	<b>–</b>	<b>590,028</b>
<b>Current liabilities</b>				
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
<b>Total current liabilities</b>	<b>173,127</b>	<b>–</b>	<b>(123)</b>	<b>173,004</b>
<b>Non-current assets</b>				
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
<b>Total non-current assets</b>	<b>13,930,065</b>	<b>–</b>	<b>–</b>	<b>13,930,065</b>
<b>Non-current liabilities</b>				
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
<b>Total Non-current liabilities</b>	<b>64,023</b>	<b>–</b>	<b>–</b>	<b>64,023</b>
<b>Net assets</b>	<b>14,282,943</b>	<b>–</b>	<b>123</b>	<b>14,283,066</b>
<b>Equity</b>				
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
<b>Total equity</b>	<b>14,282,943</b>	<b>–</b>	<b>123</b>	<b>14,283,066</b>

## 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**

<b>\$ '000</b>	<b>Income Statement and comprehen- sive income under AASB 15 and AASB 1058</b>	<b>Reclassific- ation</b>	<b>Remeasur- ement</b>	<b>Income Statement and comprehen- sive income under previous revenue standards</b>
<b>Income from continuing operations</b>				
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
<b>Total Income from continuing operations</b>	<b>732,218</b>	<b>–</b>	<b>(11,664)</b>	<b>720,554</b>
<b>Expenses from continuing operations</b>				
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
<b>Total Expenses from continuing operations</b>	<b>631,704</b>	<b>–</b>	<b>(11,696)</b>	<b>620,008</b>
<b>Total Operating result from continuing operations</b>	<b>100,514</b>	<b>–</b>	<b>32</b>	<b>100,546</b>
<b>Net operating result for the year</b>	<b>100,514</b>	<b>–</b>	<b>32</b>	<b>100,546</b>
<b>Total comprehensive income</b>	<b>3,433,297</b>	<b>–</b>	<b>–</b>	<b>3,433,297</b>

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
<b>Total assets</b>	<b>12,325,409</b>	<b>–</b>	<b>12,325,409</b>
Income received in advance	26,190	(26,190)	–
Contract liabilities	–	26,281	26,281
<b>Total liabilities</b>	<b>226,946</b>	<b>91</b>	<b>227,037</b>
Accumulated surplus	3,909,433	(91)	3,909,342
<b>Total equity</b>	<b>12,098,463</b>	<b>(91)</b>	<b>12,098,372</b>

## (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)

<b>\$ '000</b>	<b>Balance at 1 July 2019</b>
<b>Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases</b>	
<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	37,240
<b>Add:</b>	
Extension options reasonably certain to be exercised not included in the commitments note	7,741
<b>Less:</b>	
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)
<b>Lease liabilities recognised at 1 July 2019</b>	<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**

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

(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
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	123,436	150,887
<b>Balance as per the Statement of Cash Flows</b>		<b>123,436</b>	<b>150,887</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		105,744	94,521
<b>Adjust for non-cash items:</b>			
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)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
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
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>147,039</b>	<b>156,332</b>
<b>(c) Non-cash investing and financing activities</b>			
Developer contributions 'in kind'		30,347	21,176
Award of heritage floor space		20,688	–
<b>Total non-cash investing and financing activities</b>		<b>51,035</b>	<b>21,176</b>

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

**Note 20. Interests in other entities**

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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
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	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
<b>Total commitments</b>	<b>102,996</b>	<b>153,074</b>
<b>These expenditures are payable as follows:</b>		
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
<b>Total payable</b>	<b>102,996</b>	<b>153,074</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	102,996	153,074
<b>Total sources of funding</b>	<b>102,996</b>	<b>153,074</b>

**Details of capital commitments**

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

**(b) Finance lease commitments (2019 only)**

Nil

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Commitments (continued)

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

**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
<b>Total non-cancellable operating lease commitments (council as lessor)</b>	<b>–</b>	<b>233,207</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Contingencies

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#### 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>
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
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
<b>Total financial assets</b>	<b>718,106</b>	<b>726,227</b>	<b>719,451</b>	<b>727,687</b>
<b>Financial liabilities</b>				
Payables	93,562	104,296	93,562	101,427
Lease liabilities	13,713	–	13,713	–
<b>Total financial liabilities</b>	<b>107,275</b>	<b>104,296</b>	<b>107,275</b>	<b>101,427</b>

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
<b>2020</b>				
Possible impact of a 10% movement in market values <sup>1</sup>	–	–	–	–
Possible impact of a 1% movement in interest rates <sup>2</sup>	6,305	6,305	(6,305)	(6,305)
<b>2019</b>				
Possible impact of a 10% movement in market values <sup>1</sup>	–	–	–	–
Possible impact of a 1% movement in interest rates <sup>2</sup>	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
<b>2020</b>						
Gross carrying amount	–	8,265	87	59	53	8,464
<b>2019</b>						
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
<b>2020</b>						
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%
<b>ECL provision</b>	–	106	8	485	2,745	3,344
<b>2019</b>						
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%
<b>ECL provision</b>	–	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:</i>			<i>Total cash outflows</i>	<i>Actual carrying values</i>
			<i>≤ 1 Year</i>	<i>1 - 5 Years</i>	<i>&gt; 5 Years</i>		
<b>2020</b>							
Trade/other payables	0.00%	23,346	67,309	–	–	90,655	90,655
<b>Total financial liabilities</b>		<u>23,346</u>	<u>67,309</u>	<u>–</u>	<u>–</u>	<u>90,655</u>	<u>90,655</u>
<b>2019</b>							
Trade/other payables	0.00%	25,973	75,449	–	–	101,422	101,427
<b>Total financial liabilities</b>		<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 -----	
<b>REVENUES</b>				
<b>Other revenues</b>	42,068	60,551	18,483	44% <b>F</b>
<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.				
<b>Rental income</b>	77,770	66,942	(10,828)	(14)% <b>U</b>
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> .				
<b>Capital grants and contributions</b>	67,975	86,296	18,321	27% <b>F</b>
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				
<b>Net gains from disposal of assets</b>	–	11,109	11,109	∞ <b>F</b>
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.				
<b>Fair value increment on investment property</b>	–	5,230	5,230	∞ <b>F</b>
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>	
<b>EXPENSES</b>				
<b>Materials and contracts</b>	<b>117,936</b>	<b>159,112</b>	<b>(41,176)</b>	<b>(35)% U</b>

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.

<b>Other expenses</b>	<b>176,924</b>	<b>99,361</b>	<b>77,563</b>	<b>44% F</b>
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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

<b>Cash flows from investing activities</b>	<b>(205,589)</b>	<b>(133,004)</b>	<b>72,585</b>	<b>(35)% F</b>
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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**

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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

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

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

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

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

Those assets classified as held for sale 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	
<b>Recurring fair value measurements</b>					
<b>Investment property</b>					
Investment property portfolio	30/06/20	–	344,700	–	344,700
<b>Total investment property</b>		–	<b>344,700</b>	–	<b>344,700</b>
<b>Infrastructure, property, plant and equipment</b>					
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
<b>Total infrastructure, property, plant and equipment</b>		–	<b>1,923,403</b>	<b>11,161,120</b>	<b>13,084,523</b>
<b>Non-current assets classified as 'held for sale'</b>					
Land	30/06/17	–	54,430	–	54,430
Buildings	30/06/17	–	485	–	485
Investment properties	30/06/20	–	–	–	–
<b>Total NCA's classified as 'held for sale'</b>		–	<b>54,915</b>	–	<b>54,915</b>

## 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		
<b>Recurring fair value measurements</b>						
<b>Investment property</b>						
	Investment property portfolio	30/06/19	–	339,350	–	339,350
	<b>Total investment property</b>		–	<b>339,350</b>	–	<b>339,350</b>
<b>Infrastructure, property, plant and equipment</b>						
	Plant and equipment	30/06/18	–	–	38,898	38,898
	Office equipment	30/06/18	–	–	6,443	6,443
	Furniture and fittings	30/06/18	–	–	18,177	18,177
	Operational land	30/06/17	–	1,543,512	–	1,543,512
	Community land	30/06/16	–	–	2,635,675	2,635,675
	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
	<b>Total infrastructure, property, plant and equipment</b>		–	<b>1,948,585</b>	<b>9,008,368</b>	<b>10,956,953</b>
<b>Non-current assets classified as 'held for sale'</b>						
	Land	30/06/17	–	9,440	–	9,440
	Buildings	30/06/17	–	–	44	44
	Investment properties	30/06/19	–	71,850	–	71,850
	<b>Total NCA's classified as 'held for sale'</b>		–	<b>81,290</b>	<b>44</b>	<b>81,334</b>

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)

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#### (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)

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#### (4) Highest and best use

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

##### **Community based assets**

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

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

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

Land holdings under the Land Under Roads asset class comprise parcels of land acquired by (or dedicated to) Council after 30 June 2008. The englobo methodology applied to valuations is intended to reflect the inherent restriction 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:

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

**(b) Other transactions with KMP and their related parties**

Council has determined that transactions at arm's length between KMP and Council as part of Council 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)
<b>\$ '000</b>								
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	-
<b>Total section 7.11 revenue under plans**</b>	<b>70,961</b>	<b>19,975</b>	<b>185</b>	<b>934</b>	<b>(29,020)</b>	<b>-</b>	<b>63,034</b>	<b>-</b>
Section 7.4 planning agreements	70,508	7,632	4,222	568	(24,464)	-	58,465	
Section 61 contributions	-	21,135	-	-	(21,135)	-	-	
<b>Total contributions</b>	<b>141,468</b>	<b>48,741</b>	<b>4,406</b>	<b>1,502</b>	<b>(74,619)</b>	<b>-</b>	<b>121,499</b>	<b>-</b>
<b>Cash contribution movement</b>	<b>91,694</b>	<b>49,478</b>		<b>1,502</b>	<b>(57,853)</b>	<b>-</b>	<b>84,820</b>	<b>-</b>
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)	-	-	
<b>Contribution receivable movement</b>	<b>49,774</b>	<b>(736)</b>	<b>4,406</b>		<b>(16,766)</b>	<b>-</b>	<b>36,678</b>	
Section 7.11 (all plans)	11,092	-	185		(604)	-	10,672	
Section 7.4 (VPA)	38,683	(736)	4,222		(16,162)	-	26,006	
<b>Total contributions</b>	<b>141,468</b>	<b>48,741</b>	<b>4,406</b>	<b>1,502</b>	<b>(74,619)</b>	<b>-</b>	<b>121,499</b>	<b>-</b>

\* 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>	<b>2020</b>	<b>2019</b>
<b>↳ Contributions expended during year - by purpose</b>		
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
<b>Total expenditure - VPA monetary contributions</b>	<b>8,303</b>	<b>6,092</b>

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

**Note 30. Financial result and financial position by fund**

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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	
<b>1. Operating performance ratio (excluding non-recurrent capital expenditure from Operating Expenses)</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	1,849	0.29%	6.01%	5.68%	>0.00%
Total continuing operating revenue excluding capital grants and contributions	628,323				
<b>1a. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1</sup>	1,849	0.29%	(4.16)%	5.68%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	628,323				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	613,014	85.78%	89.08%	79.08%	>60.00%
Total continuing operating revenue <sup>1</sup>	714,619				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>3</sup>	525,216	4.35x	3.15x	4.06x	>1.50x
Current liabilities less specific purpose liabilities <sup>4</sup>	120,872				
<b>3a. Unrestricted current ratio (less internal and external restrictions)</b>					
Current assets less all external and internal restrictions	349,174	3.72x	2.64x	3.43x	>1.50x
Current liabilities less specific purpose liabilities <sup>4,5</sup>	93,927				
<b>4. Debt service cover ratio</b>					
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				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	8,576	2.35%	1.30%	1.32%	<5.00%
Rates, annual and extra charges collectible	365,549				
<b>6. Cash expense cover ratio</b>					
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)

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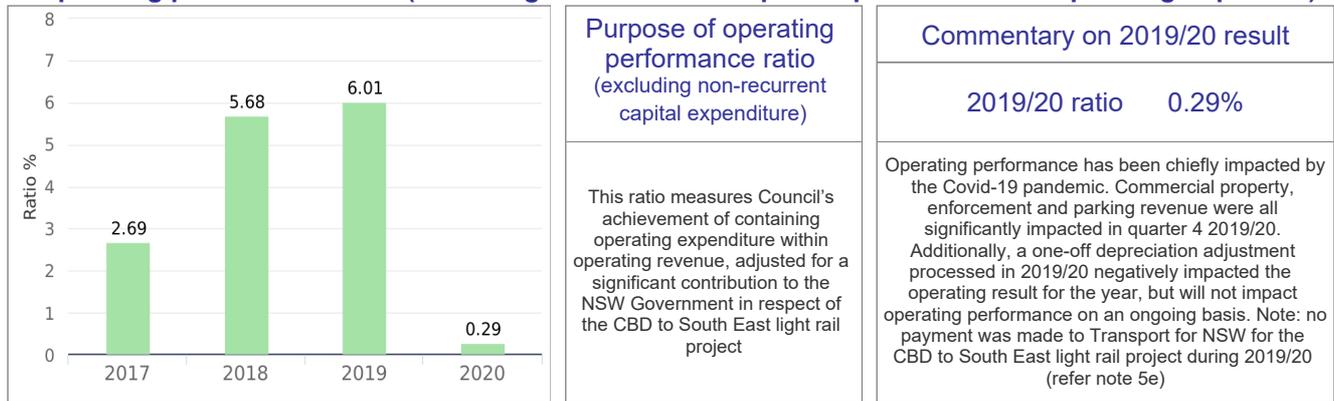
**END OF AUDITED FINANCIAL STATEMENTS** (Additional (non-audited) disclosure included at Note 31b)

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)



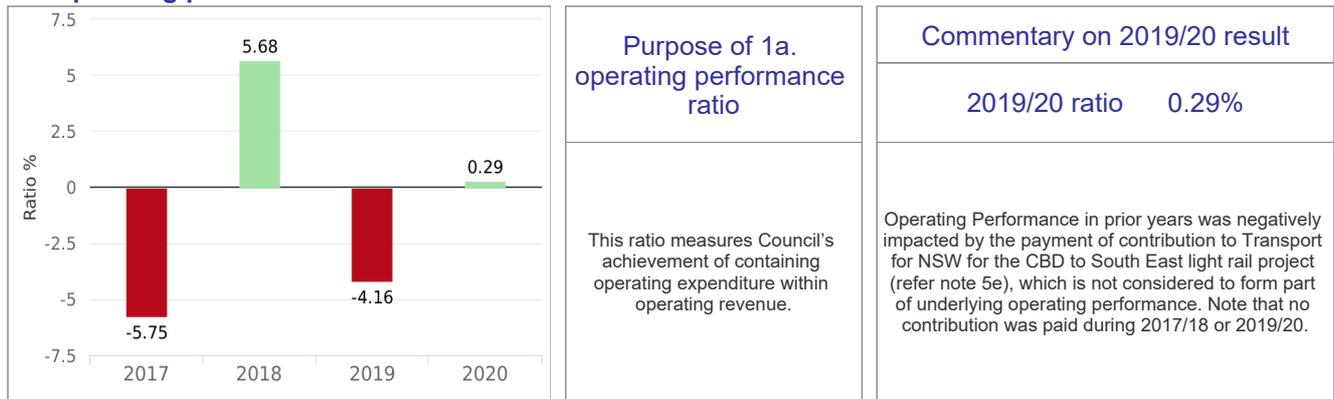
Benchmark: — > 0.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

1a. Operating performance ratio



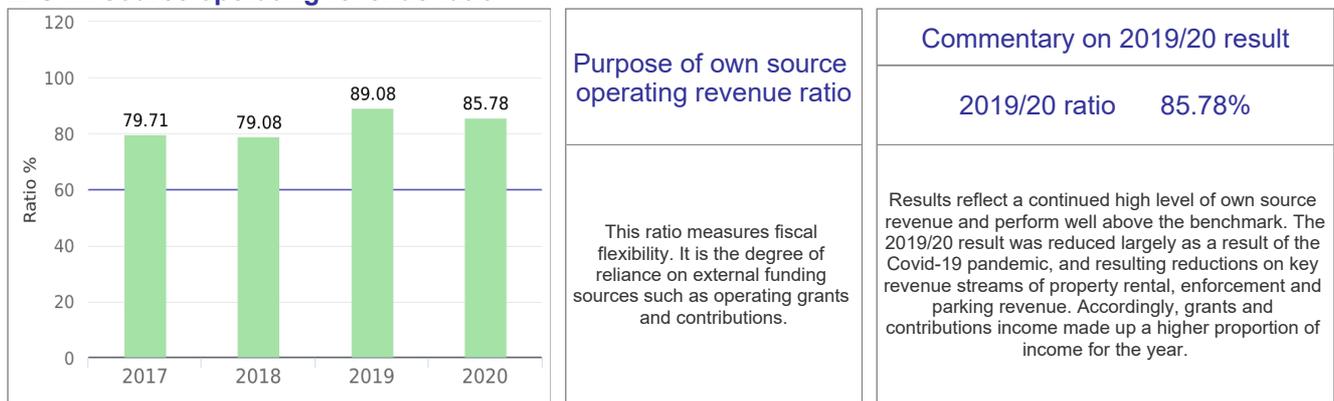
Benchmark: — > 0.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

2. Own source operating revenue ratio



Benchmark: — > 60.00%

Ratio achieves benchmark

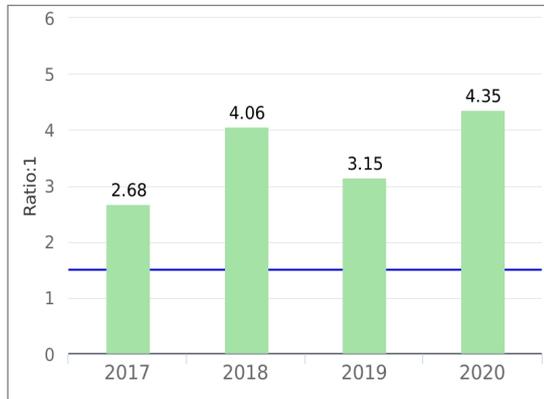
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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

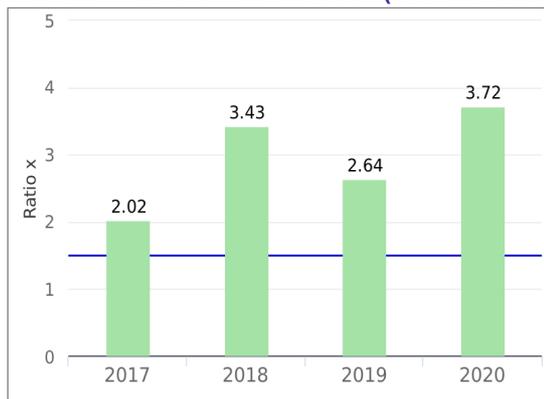
Council significantly exceeds the ratio benchmark. The ratio result indicates that Council is comfortably able to meet its short term financial obligations as they fall due after excluding all external restrictions. The uplift in the ratio for 2019/20 reflects Council taking a conservative approach to 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

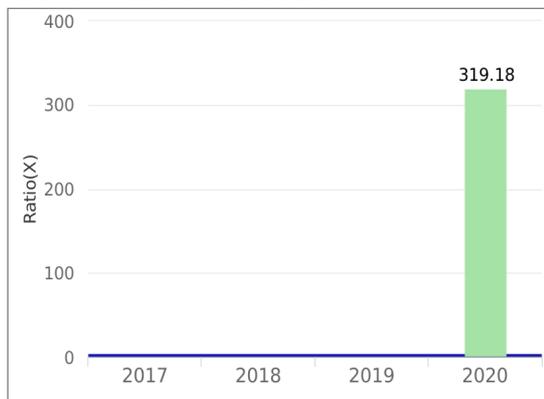
Cash and investment balances have reduced as funds are utilised in the delivery of the capital works program. However, the ratio result indicates that Council is comfortably able to meet its short term financial obligations as they fall due after excluding all external and internal restrictions. Performance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

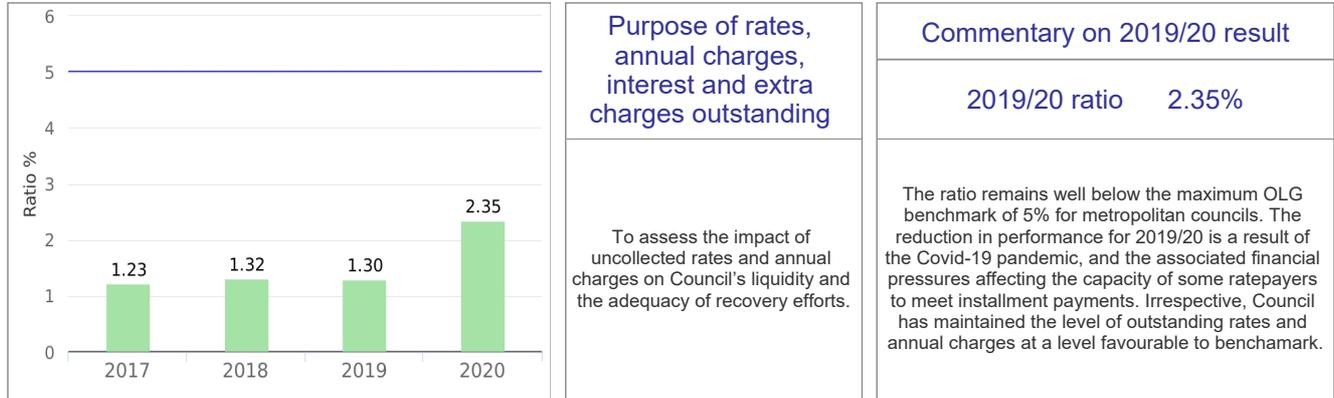
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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.

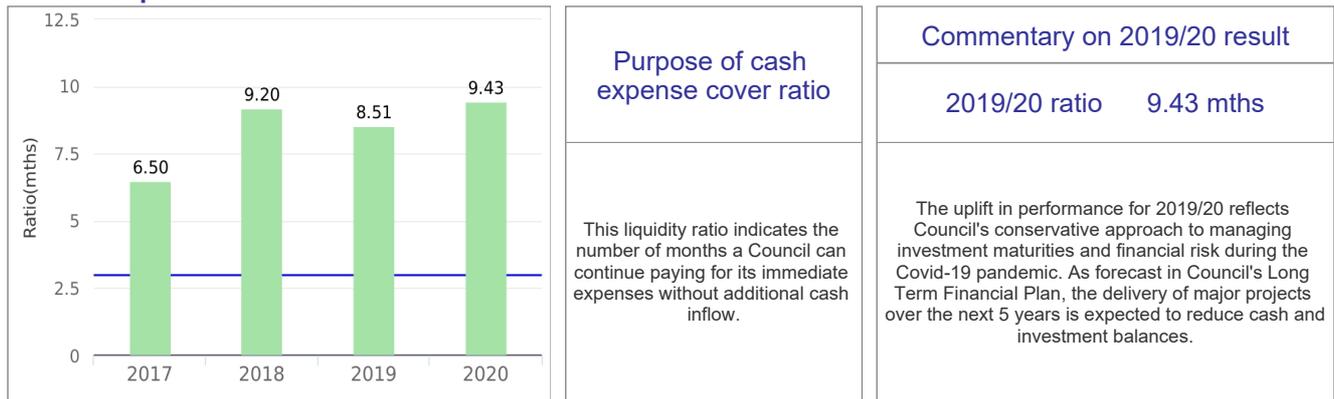
Benchmark: — < 5.00%

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



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Council of the City of Sydney

To the Councillors of Council of the City of Sydney

### Opinion

I have audited the accompanying financial statements of Council of the City of Sydney (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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

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

## **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 24 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Margaret Crawford  
Auditor-General for NSW

29 October 2020  
SYDNEY



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

29 October 2020

Dear Lord Mayor

**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 expressed 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 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

**INCOME STATEMENT**

	<b>2020</b>	<b>2019*</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
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.

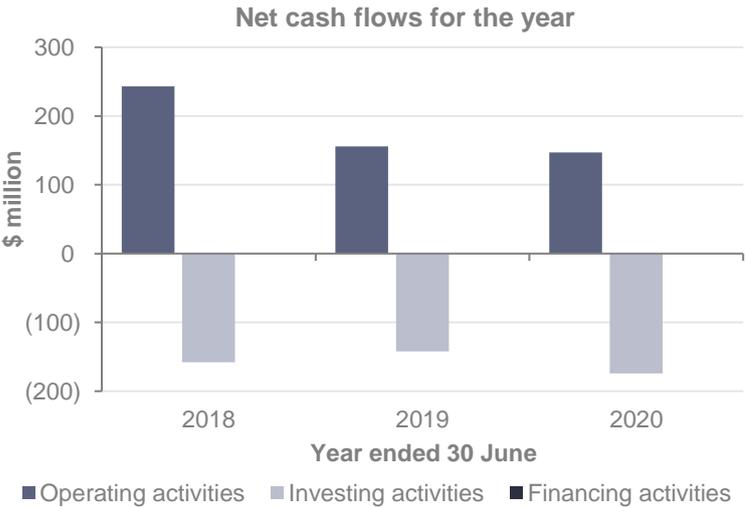
The Council’s operating result from continuing operations of \$105.7 million (including depreciation and amortisation expense of \$116.6 million) was \$11.2 million higher than the 2018–19 result. This increase resulted from the net impact of the following:

- 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 charges.
Internal restrictions	328.7	252.4	
Unrestricted	187.6	252.8	
<b>Cash and investments</b>	<b>632.9</b>	<b>623.5</b>	<ul style="list-style-type: none"> <li>• Balances are internally restricted due to Council policy or decisions for forward plans including works program. This includes cash and investments held for the city centre transformation set aside to meet future contributions to the State Government.</li> <li>• Unrestricted balances provide liquidity for day-to-day operations.</li> </ul>

## PERFORMANCE

### Performance measures

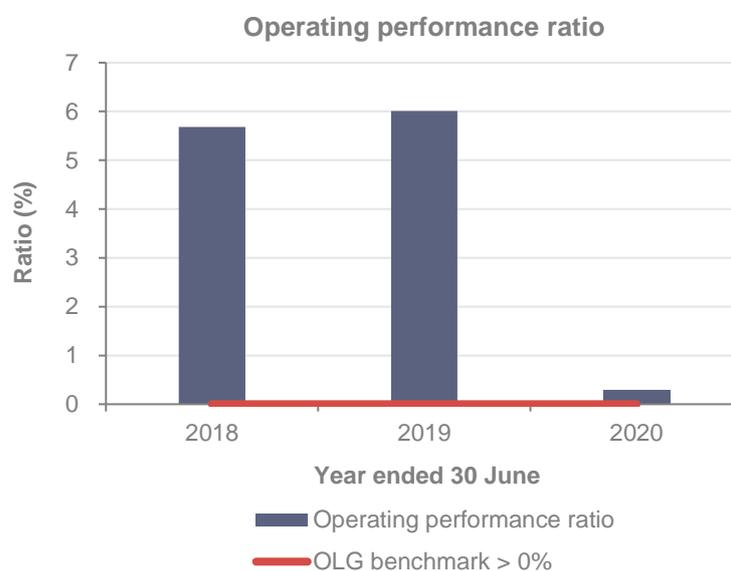
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

#### 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

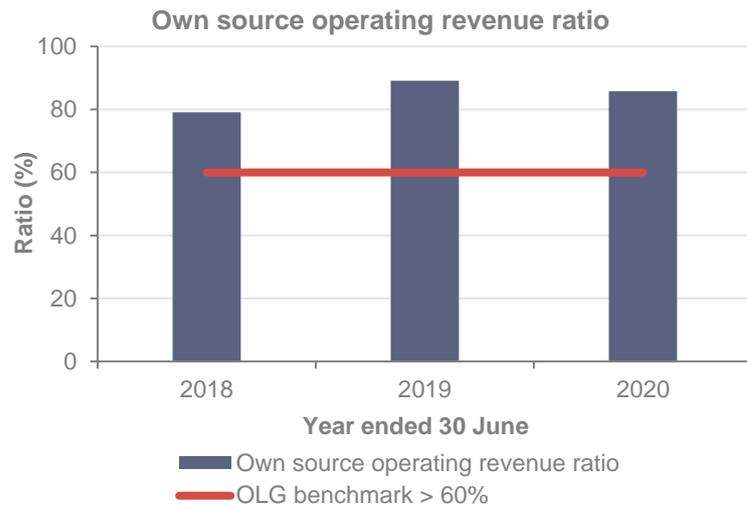


### Own source operating revenue ratio

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.

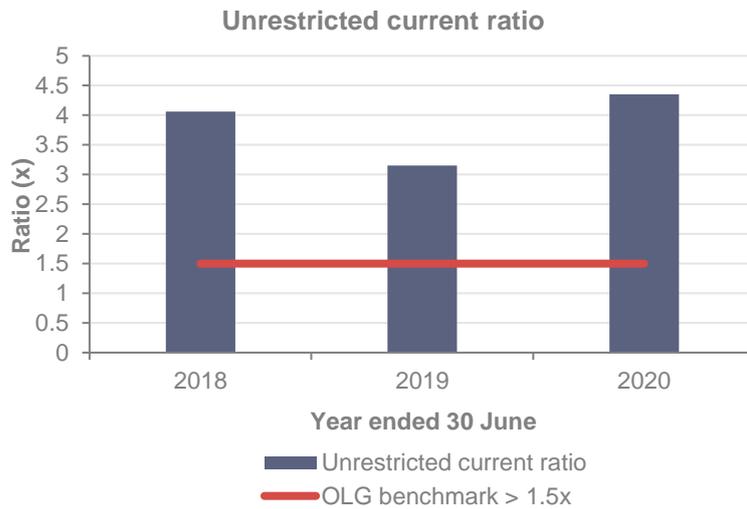
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### 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.

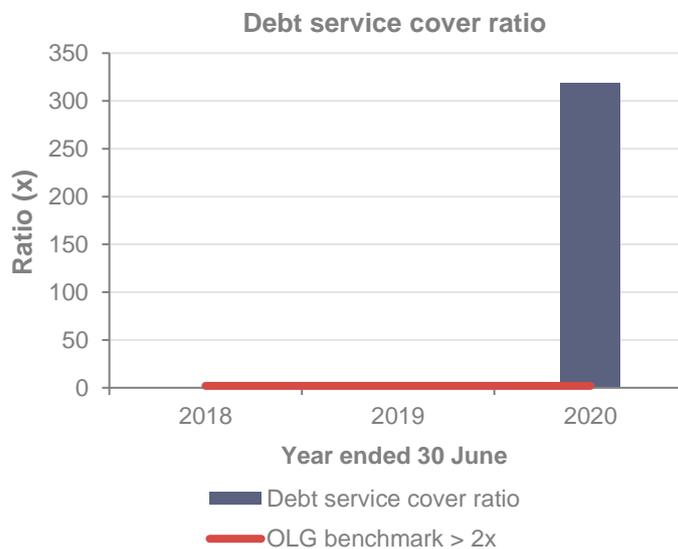


### Debt service cover ratio

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.

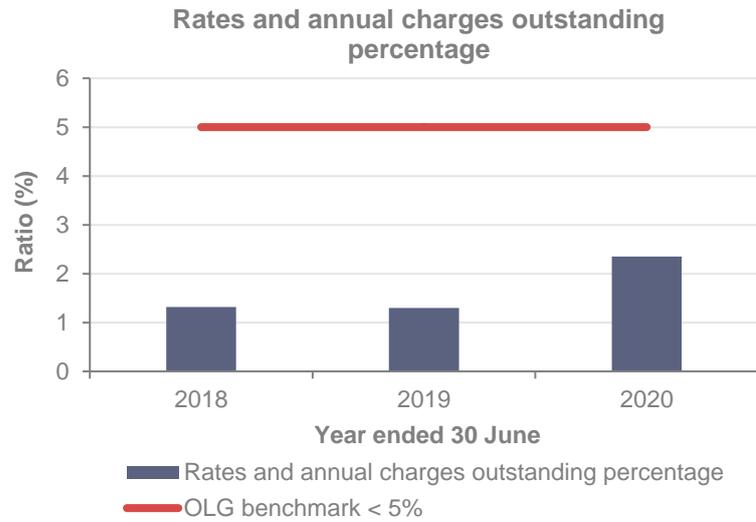


## Rates and annual charges outstanding per centage

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.

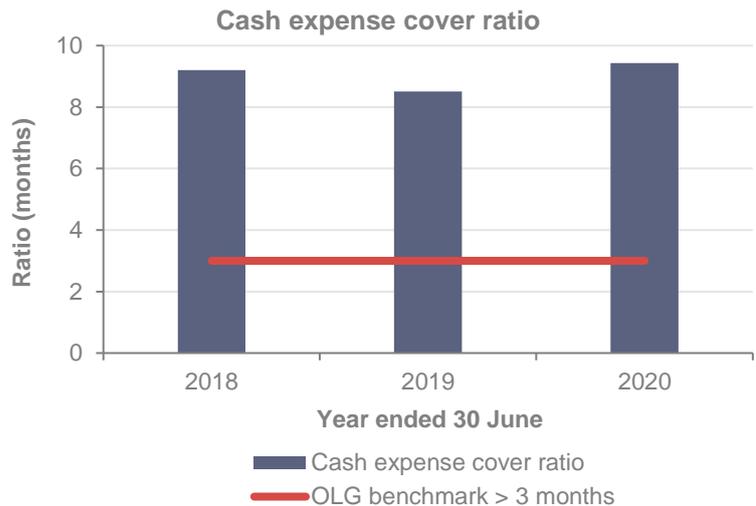
The 'rates and annual charges outstanding per centage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



## 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

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# Special Purpose Financial Statements

Annual Report  
2019 – 2020

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

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### 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
<b>Income from continuing operations</b>		
User charges	7,893	9,836
<b>Total income from continuing operations</b>	<b>7,893</b>	<b>9,836</b>
<b>Expenses from continuing operations</b>		
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
<b>Total expenses from continuing operations</b>	<b>4,235</b>	<b>4,414</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>3,658</b>	<b>5,422</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>3,658</b>	<b>5,422</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>3,658</b>	<b>5,422</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,006)	(1,491)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,652</b>	<b>3,931</b>
<b>Plus accumulated surplus</b>	<b>92,385</b>	<b>86,868</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	110	95
– Corporate taxation equivalent	1,006	1,491
<b>Closing accumulated surplus</b>	<b>96,153</b>	<b>92,385</b>
<b>Return on capital %</b>	<b>3.9%</b>	<b>5.7%</b>

## Statement of Financial Position – Parking Stations

as at 30 June 2020

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

## Council of the City of Sydney

### 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)

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#### (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**

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**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**



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**Council of the City of Sydney**

To the Councillors of Council of the City of Sydney

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Council of the City of Sydney's (the Council) Declared Business Activity, Parking Station Management, which comprise the Statement by Councillors and Management, the Income Statement of the Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of the Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activity declared by Council.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2020, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

## **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

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



Caroline Karakatsanis  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 October 2020  
SYDNEY

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# Special Schedules

Annual Report  
2019 – 2020

**Special Schedules**

for the year ended 30 June 2020

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<b>Special Schedules</b>	
Permissible income for general rates	SS2
Report on Infrastructure Assets - Values	SS4

## Permissible income for general rates

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

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. 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.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Council of the City of Sydney

To the Councillors of Council of the City of Sydney

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of the Council of the City of Sydney (the Council) for the year ending 30 June 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

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

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

## **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2020.

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

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



Caroline Karakatsanis  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 October 2020  
SYDNEY

Report on Infrastructure Assets  
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>c</sup>	2019/20 Actual maintenance <sup>c</sup>	Net carrying amount <sup>d</sup>	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost							
		Estimated cost to bring assets to satisfactory standard <sup>a</sup>	to bring to the agreed level of service set by Council <sup>b</sup>					2019/20 Required maintenance <sup>c</sup>	2019/20 Actual maintenance <sup>c</sup>	Net carrying amount <sup>d</sup>	Gross replacement cost (GRC)	1	2	3	4
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000								
<b>(a) Report on Infrastructure Assets - Values</b>															
<b>Buildings</b>	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 <sup>e</sup>	5,318	1,257	1,866	1,712	31,295	44,833	6.8%	47.9%	14.4%	30.9%	0.0%			
	<b>Sub-total</b>	<b>33,220</b>	<b>48,878</b>	<b>38,909</b>	<b>39,501</b>	<b>1,422,011</b>	<b>1,805,090</b>	<b>6.8%</b>	<b>65.3%</b>	<b>26.1%</b>	<b>1.8%</b>	<b>0.0%</b>			
<b>Roads</b>	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 <sup>f</sup>	277	277	180	163	13,452	46,309	1.9%	31.7%	63.4%	3.0%	0.0%			
	<b>Sub-total</b>	<b>9,627</b>	<b>18,757</b>	<b>11,091</b>	<b>10,063</b>	<b>1,262,007</b>	<b>1,698,791</b>	<b>16.0%</b>	<b>39.9%</b>	<b>40.6%</b>	<b>3.2%</b>	<b>0.4%</b>			
<b>Stormwater drainage</b>	Stormwater drainage	3,500	3,500	2,789	2,489	283,754	409,866	14.0%	72.9%	9.0%	2.7%	1.4%			
	<b>Sub-total</b>	<b>3,500</b>	<b>3,500</b>	<b>2,789</b>	<b>2,489</b>	<b>283,754</b>	<b>409,866</b>	<b>14.0%</b>	<b>72.9%</b>	<b>9.0%</b>	<b>2.7%</b>	<b>1.4%</b>			
<b>Open space / recreational assets</b>	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%			
	<b>Sub-total</b>	<b>8,212</b>	<b>13,077</b>	<b>16,229</b>	<b>16,321</b>	<b>259,221</b>	<b>611,802</b>	<b>7.9%</b>	<b>27.5%</b>	<b>59.5%</b>	<b>4.8%</b>	<b>0.3%</b>			
<b>TOTAL - ALL ASSETS</b>		<b>54,559</b>	<b>84,212</b>	<b>69,018</b>	<b>68,374</b>	<b>3,226,993</b>	<b>4,525,549</b>	<b>11.0%</b>	<b>51.3%</b>	<b>34.5%</b>	<b>2.8%</b>	<b>0.3%</b>			

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

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## Report on Infrastructure Assets (continued)

as at 30 June 2020

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

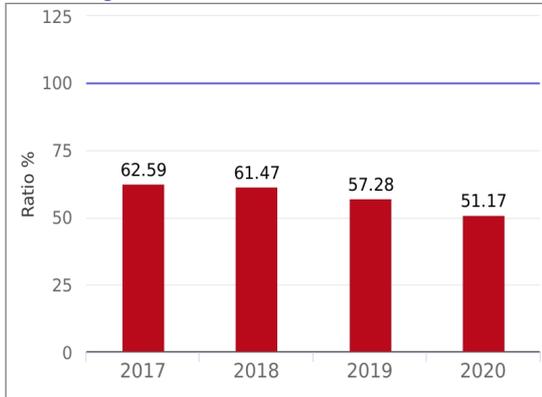
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

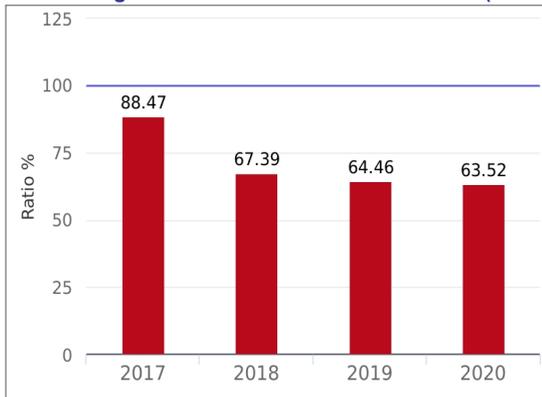
Benchmark: —  $\geq 100.00\%$

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

Ratio achieves benchmark

Ratio is outside benchmark

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.

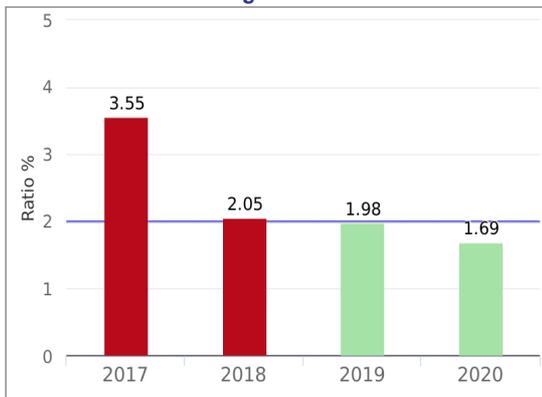
Benchmark: —  $> 100.00\%$

Source of benchmark:

Ratio achieves benchmark

Ratio is outside benchmark

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: —  $< 2.00\%$

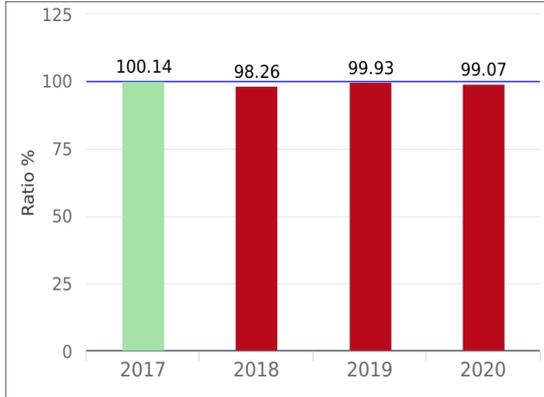
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

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.

**Item 3.**

**2020/21 Quarter 1 Review – Delivery Program 2017-2021**

Document to Follow

**Item 4.**

**Investments Held as at 31 October 2020**

Document to Follow

## Item 5.

### Owners Consent - 56, 58-76, 82-106 and 110-122 Oxford Street, Darlinghurst

File No: X013729.010

#### Summary

On 19 November 2018, Council resolved to enter into a 99-year lease of the City's properties at 56-76, 82-106 and 110-122 Oxford Street, Darlinghurst, with AM Darlinghurst Investment Pty Ltd (Ashe Morgan).

On 25 November 2019, the City and AM Darlinghurst Investment Pty Ltd concurrently executed the Development Deed and 99-year lease for the City's Oxford Street properties.

The Development Deed established the parameters for withholding landowner's consent which are detailed and responded to within this report.

AM Darlinghurst Investment Pty Ltd has submitted development applications and all supporting documentation for owner's consent for 58-76 (Group 1), 82-106 (Group 2) and 110-122 (Group 3) Oxford Street.

Owner's consent is to be considered to the extent that the development applications are consistent with the applicable provisions of the Development Deed. The applications being consistent with the Development Deed, owner's consent cannot be withheld. In order for the City to fulfil its obligations under the contracts, owner's consent must be provided to enable the Development Applications to be assessed.

A further development application for the heritage listed Zink building at 56 Oxford Street will follow in due course.

This report seeks Council's endorsement to delegate authority to the Chief Executive Officer to grant owner's consent to AM Darlinghurst Investment Pty Ltd lodging development applications for the City owned properties at 56, 58-76, 82-106 and 110-122 Oxford Street, Darlinghurst, and all future applications required to allow the developer to progress the endorsed objectives.

The granting of owner's consent to lodge development applications does not fetter Council's discretion as consent authority to determine any development applications lodged by or on behalf of AM Darlinghurst Investment Pty Ltd, or as landowner to submit an objection to any development applications lodged by or on behalf of AM Darlinghurst Investment Pty Ltd.

The endorsement of the recommendation ensures the City and AM Darlinghurst Investment Pty Ltd will continue to meet their contract obligations.

## **Recommendation**

It is resolved that:

- (A) authority be delegated to the Chief Executive Officer to grant owner's consent to AM Darlinghurst Investment Pty Ltd lodging development applications for 58-76, 82-106 and 110-122 Oxford Street, Darlinghurst, as required under the Environmental Planning and Assessment Act 1979 to allow AM Darlinghurst Investment Pty Ltd to progress refurbishment of the City's properties; and
- (B) authority be delegated to the Chief Executive Officer to grant owner's consent to AM Darlinghurst Investment Pty Ltd for future development and modification applications for 56 Oxford Street, Darlinghurst, and any further applications for 58--76, 82-106 and 110-122 Oxford Street, Darlinghurst, subject to compliance with the requirements of clause 3.3 of the Development Deed.

## **Attachments**

**Attachment A.** Resolution of Council Dated 19 November 2018

**Attachment B.** Identification Plan

## Background

1. On 7 August 2017, Council unanimously endorsed seeking private sector interest via an Expression of Interest (EOI) to identify entities with the expertise and capacity to reposition the City's Oxford Street Properties, being 56-76, 82-106 and 110-122 Oxford Street, on a long-term ground lease.
2. The City established seven key objectives for the Oxford Street Expression of Interest process, which formed the basis of the Expression of Interest/Request for Detailed Proposal Evaluation Criteria, with the final selection of the preferred proponent being based on the respondent's:
  - (a) financial offer and financial capacity;
  - (b) development capability and experience;
  - (c) ability to reposition property in an urban revitalisation/activation context;
  - (d) capacity for delivering the highest quality of urban design, architecture and sustainability outcomes;
  - (e) ability to deliver projects within a heritage context;
  - (f) experience or ability to integrate, develop and manage creative and cultural tenancies within a development/s; and
  - (g) ability to ensure tenancies correspond with the core urban activation concept, with the final make-up of tenancies reflective of the intended status of Oxford Street as a significant cultural destination at the local and international level.
3. On 19 November 2018, Council unanimously resolved to endorse AM Darlinghurst Investment Pty Ltd as the preferred entity to acquire, implement and manage a successful transformation of the Oxford Street Properties on a long-term ground lease and delegated authority to the Chief Executive Officer to negotiate, execute and administer the transaction documents.

## Ground Lease and Development Deed

4. On 25 November 2019, the City and AM Darlinghurst Investment Pty Ltd executed the Development Deed and 99-year Lease.
5. The Development Deed details the parameters for landowner's consent to lodging development applications, design development and design approvals, builder and key consultants, conditions precedents to works and developer milestone dates.
6. On 8 September 2020, a Deed of Variation to the Development Deed was executed that extended the first Milestone Date under the Development Deed due to the impacts of Covid-19.
7. The variation extended the date to lodge development applications with the consent authority from 12 months of the date of the Development Deed (25 November 2019) to 18 months. The effective date for lodging development applications is 24 May 2021.
8. All other Milestone Dates remain unchanged.

**Development Applications**

9. The developer has submitted applications and all supporting documentation for:
  - (a) 58-76 (Group 1) and 82-106 (Group 2) Oxford Street, Darlinghurst; and
  - (b) 110-122 (Group 3) Oxford Street, Darlinghurst.
10. A development application for the state heritage listed building at 56 Oxford Street will be submitted at a later stage.

**Landowners' Consent - Parameters for granting consent**

11. Owner's consent is to be considered to the extent that the development applications are consistent with the applicable provisions of the Development Deed (including clauses 3.2 and 3.3).
12. Under Clause 3.2 Development Approvals the developer must obtain all necessary development approvals required to carry out the development and for the use of the premises. Each development application prepared by the developer must:
  - (a) be consistent with the Landowner's Objectives and substantially in accordance with the Development Proposal; and
  - (b) provide for a high standard of design, materials and construction.
13. Under Clause 3.3 Landowners Consent, the City may only withhold consent to a development application or a modification to the development application if the development application:
  - (a) has not been prepared in accordance with Clause 3.2 of the Deed (CI 3.3.3 a); or
  - (b) is for the carrying out of works which, on completion of those works, would not comply with applicable planning laws (CI 3.3.3 b); or
  - (c) does not provide for at least 1,600m<sup>2</sup> of space within the Buildings to be leased to the Creative Tenants, as required under the terms of the Lease (CI 3.3.3 c).

**Landowners review of applications**

14. The City confirms that each of the development applications reviewed has been prepared in accordance with Clause 3.2 and is therefore not inconsistent with Clause 3.3.3 (a). It is noted that further applications will be submitted for individual uses.

15. In respect of Clause 3.3.3 (b) the City confirms that each development application is for works which on completion of those works would comply with applicable planning laws.
16. The developer has prepared a Clause 4.6 variation request to the development standard for height of buildings under Clause 4.3 of the Sydney LEP 2012. The maximum building height that applies to the site under Clause 4.3 of the Sydney Local Environmental Plan 2012 (Sydney LEP 2012) is 15 metres. It is noted that the developer is seeking to vary the height standards from 15 metres to 24.9 metres. Clause 4.6 of the Sydney LEP 2012 enables a consent authority to grant consent for development even though the development contravenes a development standard in certain circumstances. The clause aims to provide an appropriate degree of flexibility in applying certain development standards to achieve better outcomes for, and from, development. This variation request will be considered as part of the assessment process of this development application in accordance with the Environmental Planning and Assessment Act 1979.
17. In respect of Clause 3.3.3 (c), the developer is required to provide for at least 1,600 square metres of space within the buildings to be leased to the Creative Tenants, as required under the terms of lease. The development applications reviewed provide a total of 1,199.3 square metres which is a shortfall of 400.7 square metres.
18. The developer has provided written confirmation that the balance of space required for Creative Tenants will be within the future development application for the Zink building at 56 Oxford Street.
19. In accordance with Clause 3.3.3 of the Development Deed, the City can withhold its consent to the development application for 56 Oxford Street, if it does not make allowance for the remaining 400.7 square metres as creative space. This may result in the developer modifying the development application or the development applications/approvals for 58-76, 82-106 and 110-122 Oxford Street to take the remaining 400.7 sqm into account.
20. The landowner's consent to the current applications will state that the City is providing landowner's consent in reliance on the developer's written undertaking that the development application for 56 Oxford Street will include the remainder of the creative space portion of 400.7 square metres.

#### **Council Delegations - Landowner's Consent**

21. The granting of owner's consent on a significant property or land (including road) owned or managed by Council is a function which is not delegated to the Chief Executive Officer.
22. To manage the City's contractual obligations, the most practical and expeditious approach is for the Council to delegate authority to the Chief Executive Officer to provide owner's consent to lodgement of:
  - (a) the current applications for 58-76, 82-106 and 110-122 Oxford Street;
  - (b) the future application for 56 Oxford Street (provided that all obligations under the deed are complied with); and
  - (c) any future applications to progress the transformation of these properties.

### **Financial Implications**

23. There are no financial implications directly related to the report.

### **Relevant Legislation**

24. Environmental Planning and Assessment Act 1979.
25. Local Government Act 1993.

### **Critical Dates / Time Frames**

26. Council's adoption of the recommendations will ensure that the City, in its capacity as owner, and AM Darlinghurst Investment Pty Ltd, in its capacity as developer and purchaser, will meet their obligations under the contracts.

### **Options**

27. Council could determine not to delegate authority to the Chief Executive Officer to give owner's consent for the lodgement of applications as required by legislation. Such action could delay the purchaser/developer and impact AM Darlinghurst Investment Pty Ltd's obligations under the contracts. In this situation, AM Darlinghurst Investment Pty Ltd could obtain owners consent through an appeal to the Land and Environment Court.

### **Public Consultation**

28. There is no public consultation required for the City in its capacity as a property owner to authorise the lodgement of an application.

### **AMIT CHANAN**

Director City Projects and Property

Nicholas Male-Perkins, Commercial Manager

# **Attachment A**

**Resolution of Council  
Dated 19 November 2018**

## Resolution of Council

**19 November 2018**

### Item 9

#### Property Matter - Sydney

It is resolved that:

- (A) Council note the outcome of the Expression of Interest for the long term ground lease of the commercial properties at 56-76 Oxford Street, 82-106 Oxford Street and 110-122 Oxford Street, Darlinghurst (the Properties);
- (B) Council endorse Proponent A as the preferred entity to acquire, implement and manage a successful transformation of the Properties on a long term ground lease (comprising a Development Lease and an Operational Lease for a combined period of 99 years); and
- (C) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the transaction documents with Proponent A for the purpose specified in (B) above on the basis of the information in Confidential Attachment C and otherwise on terms acceptable to the City.

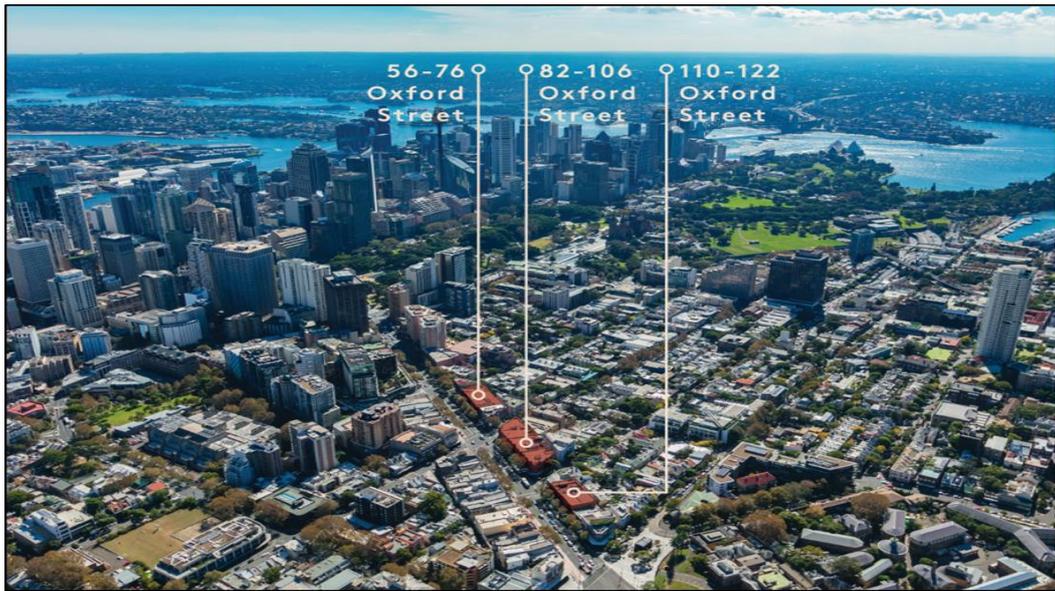
Carried unanimously.

X013734.001

# **Attachment B**

<h2><b>Identification Plan</b></h2>
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## Attachment B - Identification Plan



**110-122 Oxford Street, Darlinghurst**



**82-106 Oxford Street, Darlinghurst**



**56-76 Oxford Street, Darlinghurst**



## **Item 6.**

### **Property Matter (Confidential)**

**File No:** X026460.003

### **Summary**

This report relates to a property transaction.

Attachment A contains confidential commercial information which, if disclosed, would confer a commercial advantage on a person with whom the City is conducting (or proposes to conduct) business.

Discussion of this matter in an open meeting would, on balance, be contrary to the public interest because it would compromise the City's inability to negotiate fairly and commercially to achieve the best outcome for ratepayers.

### **Recommendation**

It is resolved that Council approve the recommendations contained in Confidential Attachment A to the subject report.

### **Attachments**

**Attachment A.** Property Matter (Confidential)

**Relevant Legislation**

1. Local Government Act 1993 - Section 10A provides that 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 Council is conducting (or proposes to conduct) business.
2. Attachment A contains confidential commercial information which, if disclosed, would confer a commercial advantage on a person with whom the City is conducting (or proposes to conduct) business.
3. Discussion of this matter in an open meeting would, on balance, be contrary to the public interest because it would compromise the City's inability to negotiate fairly and commercially to achieve the best outcome for ratepayers.

**AMIT CHANAN**

Director City Property and Projects

Nicholas Male-Perkins, Commercial Manager, Development and Strategy

CONFIDENTIAL  
By virtue of the Local Government Act 1993 Section 10A Paragraph 2

Document is Restricted

## Item 7.

### Grants and Sponsorship - Round Two 2020/21 - Economic Grants

**File No: S117676**

#### Summary

The City of Sydney's Grants and Sponsorship Program supports initiatives and projects that build the social, cultural, environmental and economic life of the city and assist in the recovery from the Covid-19 pandemic. To achieve the objectives of the Community Recovery Plan and Sustainable Sydney 2030, genuine partnership between government, business and the community is required.

The provision of grants and sponsorships is a mechanism to further the aims identified in the City's social, cultural, economic and environmental policies. Applications are assessed against these policies and against broad City objectives and plans. In this way, the City and the community act collaboratively to achieve the goals of the Community Recovery Plan and Sustainable Sydney 2030.

The City advertised the following three grant programs in Round Two of the annual Grants and Sponsorship Program for 2020/21:

- Business Support Grant - Live Music and Performance;
- Business Support Grant - Night Time Diversification; and
- CBD Activation Matching Grant.

For the Business Support Grants - Live Music and Performance program, 21 eligible applications were received. This report recommends a total of 11 grants to a total value of \$139,697 in cash for the 2020/21 financial year.

For the Business Support Grants - Night Time Diversification program, 35 eligible applications were received. This report recommends a total of 18 grants to a total value of \$123,587 in cash for the 2020/21 financial year.

For the CBD Activation Matching Grant program, 16 eligible applications were received. This report recommends a total of 14 grants, to a total value of \$129,207 in cash for the 2020/21 financial year.

On 11 December 2017, Council adopted a revised Grants and Sponsorship Policy. In response to the Covid-19 pandemic, the Grants and Sponsorship Guidelines that support the Policy were revised to include priority areas of support informed by the Community Recovery Plan. All grants in this report were assessed in accordance with the Grants and Sponsorship Policy, the Grants and Sponsorship Guidelines, the priorities set out in the Community Recovery Plan and various other relevant City strategies and action plans.

The CBD Matching Grant Program was released in July 2020 as an inaugural and stand-alone program in addition to the customary Matching Grant offering. The CBD Matching Grant focussed on the outcomes for local business contained in the program and targeted small scale activations in inner Sydney by encouraging business located in the CBD and in the arts and culture, entertainment, tourism and accommodation, retail and hospitality sectors to activate their venues or an appropriate public open space located near their venue, to inspire visitors to safely return and revitalise the economy.

All grant recipients will be required to sign a contract, meet specific performance outcomes and acquit their grant. All figures in this report exclude GST.

## Recommendation

It is resolved that:

- (A) Council approve the cash recommendations for the Business Support Live Music and Performance Grant Program as per Attachment A to the subject report;
- (B) Council note the applicants who were not successful in obtaining a cash grant for the Business Support Live Music and Performance Grant Program as per Attachment B to the subject report;
- (C) Council approve the cash recommendations for the Business Support Night Time Diversification Grant Program as per Attachment C to the subject report;
- (D) Council note the applicants who were not successful in obtaining a cash grant for the Business Support Night Time Diversification Grant Program as per Attachment D to the subject report;
- (E) Council approve the cash recommendations for the CBD Activation Matching Grant Program as per Attachment E to the subject report;
- (F) Council note the applicants who were not successful in obtaining a cash grant for the CBD Activation Matching Grant Program as per Attachment F to the subject report;
- (G) Council note that expenditure for the Business Support Grant (Live Music and Night Time Diversification) and CBD Activation Matching Grant approved in this report exceeds the nominated budgets for the 20/21 financial year outlined in the Operational Plan, however any overspend will be offset in full by savings in the overall Grants and Sponsorship Program budget, so the total amount of expenditure under the overall Grants and Sponsorship Program budget will not be exceeded;
- (H) Council note all grants amounts are exclusive of GST;

- (I) authority be delegated to the Chief Executive Officer to negotiate, execute and administer agreements with any organisation approved for a grant or sponsorship under terms consistent with this resolution and the Grants and Sponsorship Policy; and
- (J) authority be delegated to the Chief Executive Officer to correct minor errors to the matters set out in this report, noting the identity of the recipient will not change, and a CEO Update will be provided to Council advising of any changes made in accordance with this resolution.

**Attachments**

- Attachment A.** Recommended for Funding – Round Two 2020/21 - Live Music and Performance Grant Program
- Attachment B.** Not Recommended for Funding – Round Two 2020/21 - Live Music and Performance Grant Program
- Attachment C.** Recommended for Funding – Round Two 2020/21 - Night Time Diversification Grant Program
- Attachment D.** Not Recommended for Funding – Round Two 2020/21 - Night Time Diversification Grant Program
- Attachment E.** Recommended for Funding – Round Two 2020/21 - CBD Activation Matching Grant Program
- Attachment F.** Not Recommended for Funding – Round Two 2020/21 - CBD Activation Matching Grant Program

## Background

1. The City of Sydney's Grants and Sponsorship Program supports residents, businesses and not-for-profit organisations to undertake initiatives and projects that build the social, cultural, environmental and economic life of the city.
2. On 29 July 2020, the City announced Round Two of the annual grants program for 2020/21 as being open for application on the City's website, with grant applications closing on 31 August 2020.
3. The three economic programs promoted were:
  - Live Music and Performance;
  - Night Time Diversification; and
  - CBD Activation Matching Grants.
4. In June 2020, the Council adopted the Community Recovery Plan, a strategic plan for economic, cultural and social recovery from the Covid-19 pandemic. The City Business team developed the pilot CBD Activation Matching Grants program in response to this plan, to support collaborations between artists, performers, creative enterprises with businesses in the Haymarket and CBD area. This grant uses funds approved in the operational plan for the CBD Activation Matching grant program and encourages businesses and creatives to work together to activate their shops or venues (or an appropriate public open space located near their venues), to inspire visitors to safely return and revitalise the economy.
5. All grants approved for funding in this report that contribute to the Al Fresco City recovery program, as adopted by Council in October 2020, will be considered and engaged as part of this program of work.
6. Information about these grant programs (such as application dates, guidelines, eligibility criteria and sample applications) was made available on the City's website. The City actively promoted the programs through Facebook, Twitter, What's On and an Arts Hub publication with a native content piece and affiliated website and Facebook promotion. Email campaigns were also utilised to target interested parties who have applied previously for grants at the City or who have expressed an interest in the City's programs.
7. Following adoption of the revised Grants and Sponsorship Policy on 11 December 2017, the Business Support Grant categories are open to appropriately incorporated for-profit organisations and partnerships.
8. Nineteen applications were received this round from for-profit organisations through the Business Support Grant - Live Music and Performance category and the following nine for-profit organisations are recommended in this report:
  - (a) 3 By 3 Studios Pty Ltd;
  - (b) ABV & Co Pty Ltd;
  - (c) Brazen Lot Pty Ltd;
  - (d) EMG Partners Pty Ltd;

- (e) L Coy & C Staff & The Trustee for Dickson McLoughlin Family Trust & C Whelan;
  - (f) The Experience Entertainment Group Pty Ltd;
  - (g) The Trustee for Barrel Barons Unit Trust;
  - (h) The Trustee for Filiki Eteria Unit Trust; and
  - (i) Yesdac Pty Ltd.
9. Thirty-two applications were received this round from for-profit organisations, partnerships, trusts and sole traders through the Business Support Grant – Night Time Diversification category, and the following 13 for-profit organisations are recommended in this report:
- (a) Ace People Pty Ltd;
  - (b) Avenue on George Pty Ltd;
  - (c) Bar Whispers Pty Ltd;
  - (d) Cork and Canvas (South Melbourne) Pty Ltd;
  - (e) Mary's Group Australia Pty Ltd;
  - (f) Rolling Thunder 1 Pty Ltd;
  - (g) Six Hunt Pty Ltd;
  - (h) T.r Hesper & T.e Kennedy;
  - (i) The Trustee for Cook Purton Trust;
  - (j) Thom Global Pty Ltd;
  - (k) Viral Ventures (Australia) Pty Ltd;
  - (l) Wanyoo Pty Ltd; and
  - (m) Wild Escapes (Oceania) Pty Ltd.
10. Fourteen applications were received this round from for-profit organisations, partnerships, trusts and sole traders through the CBD Activation Matching Grants category and the following 11 for-profit organisations are recommended in this report:
- (a) ABV & Co Pty Ltd;
  - (b) Art Pharmacy Pty Ltd;
  - (c) Bancho Group Pty Ltd;
  - (d) Choy Lee Fut Sydney Pty Ltd;
  - (e) E Jigalin & L.G Nightingale;
  - (f) Ispt Pty Ltd;

- (g) Opera Mondo Pty Ltd;
  - (h) Shesaw Pty Ltd;
  - (i) The Trustee for A-list Entertainment;
  - (j) The Trustee for Ume Burger; and
  - (k) Vicinity Centres PM Pty Ltd.
11. The CBD Activation Matching grant was promoted through the delivery of an online briefing session targeting the activation of the CBD by businesses and creatives on Thursday 13 August, 12pm to 1:30pm, which 80 people attended. The session included presentations on the Night Time Diversification Grant, Live Music and Performance Grant and the CBD Activation Matching Grant; a Q&A session; Breakout sessions with City staff to brainstorm ideas on what's possible, and for small businesses to connect with creatives.
  12. There were a total of 72 grant applications received for economic grants. Forty-three are recommended for funding as detailed in this report.
  13. It is expected that all successful applicants will work co-operatively with relevant City staff throughout the project for which they have received funding. Some applicants will be required to meet with City staff and further define the strategic outcomes of their project prior to receiving the grant and commencing their project.
  14. All grants and sponsorships are recommended on the condition that any required approvals, permits and development consents are obtained by the applicant. In the current environment this includes but is not limited to, requirements associated with the service of alcohol or food services, consent from the respective landowner(s), and NSW Planning Legislation and NSW Government health requirements. The City approves Development Approvals and outdoor temporary event activities.
  15. The City's Grants and Sponsorship Program is highly competitive. Applications that are not recommended have either not scored as highly against the assessment criteria as the recommended applications or have incomplete or insufficient information. The City's Grants and Sponsorship team provides feedback to unsuccessful applicants.
  16. The assessment process includes advice and recommendations from a suitably qualified assessment panel. The applications are scored against defined criteria for each grant program as well as the integrity of the proposed budget, project plan, partnerships, contributions and connection to the local community and industry sectors. Once recommended applications are approved by Council, a contract is developed, which includes conditions that must be adhered to, and acquitted against.
  17. In assessing the grant applications, the assessment panels included in their considerations and recommendations:
    - (a) Community Recovery Plan 2020;
    - (b) Sustainable Sydney 2030;
    - (c) Grants and Sponsorship Policy;
    - (d) Creative City Cultural Policy and Action Plan;

- (e) Economic Development Strategy;
  - (f) OPEN Sydney Strategy and Action Plan; and
  - (g) Live Music and Performance Action Plan.
18. Assessors consider the cash and in-kind contribution from the applicant and other sources in reviewing applications. Applicants are asked to demonstrate a capacity to match the grant investment with other sources of funding or contribute their own cash resources to the project.
19. Applicants are requested to list their project's community partners, confirmed funding sources and the contribution the organisation is making to the project (cash or in-kind) to demonstrate their contribution.

**Business Support Grants - Live Music and Performance (grants of up to \$20,000 for capital works and expenditure on project management, infrastructure and equipment)**

20. The Live Music and Performance category aims to support local businesses, venues and licensed premises to undertake capital works or equipment upgrades to either introduce live entertainment to a business's offerings or to improve existing live music and performance venues, rehearsal and recording studios and spaces for creative production and participation. These projects might include:
- (a) acoustic improvements to help manage sound transfer from venues to surrounding properties;
  - (b) investment in equipment or in-venue acoustics which improve audience experience;
  - (c) works that facilitate the introduction of live music or performance programming, or significantly improve/expand existing programming; or
  - (d) works that improve the health and safety of audiences, performers and venue staff.
21. The assessment panel for the Live Music and Performance Program consisted of members from the City's City Business and Safety, Venue Management, Culture and Creativity and Cultural Venues and Programs teams, as well as a representative from Music NSW (the state's peak industry body for the contemporary music sector).
22. Three applications were received from existing Accommodation Grants tenants requesting cash to support activation fit outs to maximise their tenancies at City owned properties – The Eternity Playhouse in Darlinghurst, Paddington Town Hall in Paddington and Joynton Avenue Creative Centre in Green Square. Fit outs are the responsibility of tenants and the assessment panel has recommended all three applications, noting they strongly meet the outcomes of the program and the works will improve the capacity of the venues to deliver quality live music and performance programming.
23. The applications recommended for the Live Music and Performance Program are outlined in Attachment A to this report. The applications not recommended are listed in Attachment B to this report.

24. The Business Support Grants Live Music and Performance Budget is set out below:

Total cash budget for 2020/21	\$250,000
Total cash committed to previously approved applications	\$121,921
Total cash available for 2020/21 Round 2	\$128,079
Total number of eligible applications this allocation	21
Total cash value requested from applications	\$330,751
Total number of applications recommended for cash support	11
Total amount of cash funding recommended	\$139,697
Total cash overspend to be absorbed in the overall Grants and Sponsorship Program budget (see below for source of funds for overrun)	\$-11,618

**Business Support Grants - Night Time Diversification (grants of up to \$10,000 for up to 12 months funding)**

25. The Night Time Diversification category aims to support projects that increase the variety of business offerings and activities in commercial precincts after 6pm. The grants assist businesses to trade later through creative programming and initiatives, and in doing so, attract new customers and create lively, safe and engaging city precincts after dark, contributing to the night time economy and the cultural and economic character of the city. The grant also supports live entertainment venues to extend or expand their programming of live music and performance (such as comedy, cabaret, theatre and poetry programs) as well as creative producers who wish to work with businesses in their area to curate a program of events or night-time activities.
26. The assessment panel for the Night Time Diversification program consisted of members from the City's City Business and Safety, Strategy, Urban Analytics and Communications, Culture and Creativity, Social Policy and Programs, Community Development and Indigenous Leadership and Engagement teams.
27. The applications recommended for the Night Time Diversification Program are outlined in Attachment C to this report. The applications not recommended are listed in Attachment D to this report.

28. The Business Support Grants Night Time Diversification Program budget is set out below:

Total cash budget for 2020/21	\$200,000
Total cash committed to previously approved applications	\$100,413
Total cash available for 2020/21 Round 2	\$99,587
Total number of eligible applications this allocation	35
Total cash value requested from applications	\$342,450
Total number of applications recommended for cash support	18
Total amount of cash funding recommended	\$123,587
Total cash overspend to be absorbed in the overall Grants and Sponsorship Program budget (see below for source of funds for overrun)	\$-24,000

#### **CBD Activation Matching Grants (up to \$10,000 for up to 12 months funding)**

29. The CBD Activation Matching Grant program provided matched funding of up to \$10,000 for CBD/Haymarket businesses and creative and cultural practitioners to activate shopfronts or nearby spaces to encourage visitors to return safely to the inner city.
30. To be eligible for funding, applications to the CBD activation Matching Grant program had to demonstrate a matched cash contribution or value-in-kind contribution to the project at least equal to the amount requested from the City.
31. The program was only available to CBD based businesses from the arts and culture, entertainment, tourism and accommodation, retail and hospitality sectors; or cultural operators based in the City of Sydney local government area.
32. The assessment panel for the CBD Activation Matching Grant program consisted of members from City Business and Safety, Culture and Creativity, Grants and Venue Management teams.
33. The applications recommended for the CBD Activation Matching Grant Program are outlined in Attachment E to this report. The applications not recommended are listed in Attachment F to this report.

34. The CBD Activation Matching grant budget is set out below:

Total cash budget for 2020/21	\$360,000
Total cash already committed to previously approved applications	\$135,367
Total cash amount available for 2020/21	\$224,633
Total number of eligible applications this allocation	16
Total cash value requested from applications	\$148,238
Total number of applications recommended for cash support	14
Total amount of cash funding recommended	\$129,207
Total amount of cash recommended through the customary Matching Grants Program currently being considered by Council	\$227,179
Total cash overspend to be absorbed within the overall Grants and Sponsorship Program budget  (see below for source of funds for overrun)	\$-131,753

## Key Implications

### Strategic Alignment - Sustainable Sydney 2030

35. 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 recommended grant projects in this report contribute to fostering strong and sustainable local economies.
- (b) Direction 7 - A Cultural and Creative City - the recommended grant projects in this report contribute to a city where opportunities for individual creative expression and participation in all its forms are visible, valued, and accessible, and where business and creative opportunities for local artists, creative workers and cultural organisations are supported.

**Organisational Impact**

36. The grants and sponsorships contract management process will involve key staff across the City of Sydney. Identified staff set contract conditions and performance measures for each approved project, and review project acquittals, which include both narrative and financial reports. Staff from the Night Time City, Cultural Strategy and City Business teams will be the contract managers for the recommended grant recipients.

**Social / Cultural / Community**

37. The anticipated outcomes of this grant program include:
- (a) greater diversity of business offerings at night;
  - (b) safer, more vibrant and engaging commercial precincts after dark;
  - (c) a greater range of cultural activity offered in unexpected ways in new venues and spaces; and
  - (d) an increased quantity and quality of live music and performance venues and programming.
38. These outcomes will have positive impacts upon local creative industries and artists, the live music scene of Sydney, the global reputation of Sydney, and the cultural, social and creative experience of living, working or visiting in Sydney.

**Economic**

39. The anticipated outcomes of this grant program include:
- (a) an increase in later trading businesses capturing after-office-hours foot-traffic and increasing customer base;
  - (b) local businesses extending their product and service offerings, diversifying revenue streams;
  - (c) mutually beneficial partnerships between the creative, cultural and retail sectors and increased collaboration within local precincts;
  - (d) sustainability of existing live performance venues and the establishment of new live performance venues;
  - (e) increased awareness of precinct offerings and experiences as well as footfall and measurable patronage and spend in local retail precincts;
  - (f) improved access to industry/sector specific information, upskilling and networking opportunities for local businesses; and
  - (g) strengthened advocacy by local chambers of commerce and precinct associations on behalf of their members.
40. These outcomes will have a positive impact on local businesses, business and entertainment precincts and the city's economy.

## Financial Implications

41. A combined total of \$392,491 is recommended in this report which exceeds the 2020/21 Economic Grants program budgets, as noted in the financial tables above.
42. All expenditure that exceeds the nominated budgets for the 2020/21 financial year outlined in the Operational Plan will be offset in full by savings in the overall Grants and Sponsorship Program's budget. These savings have occurred as a result of general savings in the Cultural and Creative Grants and Sponsorship Program and the Environmental Performance Grants Program as well as some Grantees returning funds to the City, as a result of the Covid-19 pandemic through major contracts for the Commercial Creative and Business Events Sponsorship Program, some out of policy grants and the Covid-19 Relief Programs.

## Relevant Legislation

43. Section 356 of the Local Government Act 1993. Section 356 of the Local Government Act 1993 provides that a council may, in accordance with a resolution of the council, contribute money or otherwise grant financial assistance to persons for the purpose of exercising its functions.
44. Section 356(3)(a) to (d) is satisfied for the purpose of providing grant funding to for-profit organisations because:
  - (a) the funding is part of the following programs:
    - (i) Business Support Grant – Live Music and Performance;
    - (ii) Business Support Grant – Night Time Diversification; and
    - (iii) CBD Activation Matching Grant;
  - (b) the details of the Business Support Grant programs have been included in Council's draft operation plan for financial year 2020/21;
  - (c) the program's proposed budgets do not exceed five per cent of Council's proposed income from ordinary rates for financial year 2020/21; and
  - (d) these programs apply to a significant group of persons within the local government area.

## Critical Dates / Time Frames

45. The funding period for the CBD Activation Matching Grants Program for 2020/21 is for activity taking place from 1 December 2020 to 31 December 2021. Contracts will be developed for all successful applications after Council approval to ensure their funding is released in time for projects starting in December.
46. The funding period for Round Two of the Business Support Grants for 2020/21 is for activity taking place from 1 January 2021 to 31 December 2021. Contracts will be developed for all successful applications after Council approval to ensure their funding is released in time for projects starting in January.

**Public Consultation**

47. For all programs open to application in Round Two of the annual Grants and Sponsorship Program for 2020/21, two question and answer sessions were held over Zoom to assist potential applicants with their applications on Tuesday 11 August 2020, 3pm to 6pm, and Wednesday 19 August 2020, 3pm to 6pm.
- (a) Sixty-seven individual meetings were held during the question and answer sessions where prospective applicants sought advice from City staff about their project proposals and the application process.
  - (b) Seventy-five per cent of these attendees advised they had not applied for a City of Sydney grant previously.
  - (c) Thirteen per cent of these attendees requested a member of the Indigenous Engagement team to be present during their meeting.
48. An additional briefing session targeting the activation of the CBD by businesses and creatives was held over zoom on Thursday 13 August, 12pm to 1:30pm, which 80 people attended.

**EMMA RIGNEY**

Director City Life

Peter Keogh, Grants Officer

# **Attachment A**

**Recommended for Funding  
Round Two 2020/21  
Live Music and Performance Grant  
Program**

## Business Support Grant

### Recommended for Funding

Business Support Grant – Live Music and Performance Round 2 2020-21							
Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested	\$ Amount Recommended	VIK Recommended	Conditions
<b>RECOMMENDED FOR FUNDING</b>							
3 By 3 Studios Pty Ltd	Acoustic Upgrade - 3 By 3 Studios, Waterloo	A capital works project to upgrade the acoustic insulation at the rehearsal and recording studio to improve sound quality for artists and reduce noise for neighbours	\$20,000	Nil	<b>\$20,000</b>	<b>Nil</b>	Subject to DA approval
ABV & Co Pty Ltd	Acoustic, Sound and Lighting Equipment Upgrade - Papa Gede's, Sydney	A capital works project to improve the acoustics and upgrade speakers, mixing desk, microphones, cables and lighting to improve the quality of live performances for audience and performers	\$16,404	Nil	<b>\$7,000</b>	<b>Nil</b>	Nil
Brazen Lot Pty Ltd	Sound Proofing and Lighting - Paddington Town Hall, Paddington	A capital works project at a City owned property to soundproof the main performance studio and install sound and lighting equipment to allow for live performance opportunities	\$20,000	Nil	<b>\$20,000</b>	<b>Nil</b>	Subject to existing conditions within the Accommodation Grants lease regarding fitout works and makegood
Darlinghurst Theatre Ltd	Sound Proofing, Lighting and Sound Equipment - Eternity Playhouse, Darlinghurst	A capital works project at a City owned property to allow live performance opportunities in the foyer of the Eternity Playhouse, including sound proofing, and purchase of sound, lighting and staging equipment	\$20,000	Nil	<b>\$20,000</b>	<b>Nil</b>	Subject to existing conditions within the Accommodation Grants lease regarding fitout works and makegood

## Business Support Grant – Live Music and Performance Round 2 2020-21

Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested	\$ Amount Recommended	VIK Recommended	Conditions
<b>RECOMMENDED FOR FUNDING</b>							
EMG Partners Pty Ltd	Sound Proofing, Speakers and Cabling - The Wanderer, Surry Hills	A capital works project to fit out and soundproof a new live music space in the back bar, to ensure live music continues amidst current audience restrictions	\$13,037	Nil	<b>\$13,037</b>	<b>Nil</b>	Nil
L Coy & C Staff & The Trustee for Dickson McLoughlin Family Trust & C Whelan	Sound Equipment Upgrade - The Mercantile Hotel, Sydney	A capital works project to upgrade speakers, mixing desk and microphones to allow for live music performances in the hotels outdoor space	\$2,514	Nil	<b>\$2,514</b>	<b>Nil</b>	Nil
Sydney Improvised Music Association Incorporated	Upgrade Live Music Capabilities - Joynton Avenue Creative Centre, Green Square	A capital works project at a City owned property to purchase additional seating, tables, lighting, audio and streaming equipment, to allow live performance opportunities in both the indoor and outdoor spaces	\$12,078	Nil	<b>\$12,078</b>	<b>Nil</b>	Subject to existing conditions within the Accommodation Grants lease regarding fitout works and makegood
The Experience Entertainment Group Pty Ltd	Soundproofing and Sound Equipment Upgrade - The Soda Factory, Surry Hills	A capital works project to improve the soundproofing and upgrades to the sound equipment, to support night time programming six nights a week	\$12,500	Nil	<b>\$12,500</b>	<b>Nil</b>	Nil
The Trustee for Barrel Barons Unit Trust	New Stage, Sound and Lighting Equipment - Kittyhawk, Sydney	A capital works project to install a stage, sound and lighting equipment to support live music three nights a week on the second level of Kittyhawk	\$20,000	Nil	<b>\$18,000</b>	<b>Nil</b>	Applicant to submit revised budget; Applicant to submit a programming and performance plan

## Business Support Grant – Live Music and Performance Round 2 2020-21

Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested	\$ Amount Recommended	VIK Recommended	Conditions
<b>RECOMMENDED FOR FUNDING</b>							
The Trustee for Filiki Eteria Unit Trust	Lighting Upgrade - The Oxford Hotel, Darlinghurst	A capital works project to upgrade the lighting to improve comedy, cabaret and live music performances at Gingers	\$10,568	Nil	<b>\$10,568</b>	<b>Nil</b>	Applicant to submit a programming and performance plan
Yesdac Pty Ltd	DJ Equipment, Speakers and Lighting - I Darts ZEN, Sydney	A capital works project to purchase DJ equipment, speakers and lighting to allow for live performance opportunities and engage new audiences	\$4,000	Nil	<b>\$4,000</b>	<b>Nil</b>	Applicant to submit revised budget; Applicant to submit a programming and performance plan

## **Attachment B**

**Not Recommended for Funding  
Round Two 2020/21  
Live Music and Performance Grant  
Program**

## Business Support Grant

### Not Recommended for Funding

Business Support Grant – Live Music and Performance Round 2 2020-21				
Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested
<b>NOT RECOMMENDED FOR FUNDING</b>				
Bravissimo Music Pty Ltd	Mobile Grand Piano Stage, Sydney	A capital works project to build a mobile grand piano stage to bring live music to public spaces	\$19,950	Nil
Burdekin Hotel Group Pty Ltd	Upgrades to Acoustic Treatment - Burdekin Hotel, Darlinghurst	A capital works project to upgrade the acoustic treatment and venue amenities to improve audience experience	\$19,000	Nil
Cambridge Markets Pty Ltd	Artist Fees - Cambridge Markets EQ, Moore Park	Requesting funding to have musicians perform live each Wednesday and Saturday from 10am - 2pm at the Cambridge Markets EQ in Moore Park	\$14,700	Nil
Convaim Pty Ltd	Live Streaming Equipment - Convaim, Alexandria	A capital works project to purchase a new Mac Pro and studio equipment to enable live streaming events by electronic musicians	\$6,000	Nil
Federico Ignacio Soto	Subsidised Recording Costs - Studios 301, Alexandria	A partnership between Primal Music, Fire Entertainment and Studios 301 to offer subsidised recording and studio time for independent and unsigned musicians	\$20,000	Nil
Jeremy Rockey	Live Music and Performance Upgrade - Bloody Mary's, Darlinghurst	A capital works project to build a stage, upgrade sound equipment and lighting to expand the existing night time programming at the new venue for Bloody Mary's	\$20,000	Nil
S-data Investments Sydney Pty Ltd	Stage, Lighting and Sound Upgrade - Hard Rock Cafe, Darling Harbour	A capital works project to extend the stage, upgrade cabling, sound and lighting equipment to support a diverse range of live music	\$20,000	Nil
The Trustee for The Cultivate Inc Holdings Unit Trust	Additional Seating, Enclose Rooftop - Chingalings, Darlinghurst	A capital works project to provide more seating for patrons and enclose the rooftop to improve sound	\$20,000	Nil

## Business Support Grant – Live Music and Performance Round 2 2020-21

Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested
<b>NOT RECOMMENDED FOR FUNDING</b>				
Vinpetrin Pty Ltd	Sound and Lighting Upgrade - Flinders Hotel, Darlinghurst	A capital works project to upgrade new sound and lighting equipment to improve the quality of live performances for audience and performers	\$20,000	Nil
Viral Ventures (Australia) Pty Ltd	Set Design and Venue Fit Out - Saloon 24, Kings Cross	A capital works project to fit out the old World Bar site as an old Wild West Saloon for an immersive theatre show experience	\$20,000	Nil

# **Attachment C**

**Recommended for Funding  
Round Two 2020/21  
Night Time Diversification Grant  
Program**

## Business Support Grant

### Recommended for Funding

Business Support Grant – Night Time Diversification Round 2 2020-21							
Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested	\$ Amount Recommended	VIK Recommended	Conditions
<b>RECOMMENDED FOR FUNDING</b>							
Ace People Pty Ltd	X-Change Sounds, Delivered in Partnership with Hustle and Flow, Redfern and Studio 301, Alexandria	A monthly live music program showcasing culturally diverse and female-identifying artists	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Nil
Avenue on George Pty Ltd	Alleyway Sounds at Alleyway, Sydney	A weekly program of live music and board games to encourage night time activation in the inner city	\$10,000	Nil	<b>\$5,000</b>	<b>Nil</b>	Nil
Bar Whispers Pty Ltd	Thursday Night Live at Hustle and Flow Bar, Redfern	A weekly program featuring local hip hop, R&B, funk and soul musicians	\$10,000	Nil	<b>\$5,000</b>	<b>Nil</b>	Nil
Company B Ltd	25A Upstairs at Belvoir St Theatre, Surry Hills	A series of performances showcasing emerging and independent artists in the larger upstairs theatre during non-performance weeks	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Nil
Cork and Canvas (South Melbourne) Pty Ltd	Champainging at Iconic Venues Across Sydney	A series of paint and drink experiences held at Sydney Sea Life Aquarium, Wild Life Sydney Zoo, Madame Tussauds and the Sydney Tower Eye	\$10,000	Nil	<b>\$5,000</b>	<b>Nil</b>	Nil

## Business Support Grant – Night Time Diversification Round 2 2020-21

Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested	\$ Amount Recommended	VIK Recommended	Conditions
<b>RECOMMENDED FOR FUNDING</b>							
Darlinghurst Theatre Limited	Supper and Song at the Eternity Playhouse, Darlinghurst	A weekly Saturday night event in the Eternity Playhouse's foyer space, offering a late night cabaret performance, food and drinks for post show audiences and the general public	\$10,000	Nil	<b>\$7,200</b>	<b>Nil</b>	Funding towards artist fees
Lauren Frances Carroll Harris	Prototype's Blue Rose Cinematheque at the Star Bar Theatre, Sydney	A monthly screening of video art and experimental cinema curated by Prototype, at an underused theatre space in the inner city	\$8,000	Nil	<b>\$4,000</b>	<b>Nil</b>	Nil
Mary's Group Australia Pty Ltd	Summertime Seated Concert Series at The Lansdowne Hotel, Chippendale	A series of seated concerts featuring local and emerging artists	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Nil
Planstep Pty Ltd	Supporting Local Musicians at Jazushi, Surry Hills	The extension of an existing program of live music performances to seven nights a week	\$10,000	Nil	<b>\$4,887</b>	<b>Nil</b>	Nil
Rolling Thunder 1 Pty Ltd	Friday Night Live at Title, Barangaroo	A series of bi-monthly events in Barangaroo based around music, film and books, including author reading and Q&A's, book and product launches, exhibitions, live music and comedy	\$10,000	Nil	<b>\$5,000</b>	<b>Nil</b>	Nil
Six Hunt Pty Ltd	Sneaker Customisation Classes at Butter, Surry Hills	A series of fortnightly workshops where people can bring in their old sneakers to restore and customise into a new pair of sneakers	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Nil

## Business Support Grant – Night Time Diversification Round 2 2020-21

Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested	\$ Amount Recommended	VIK Recommended	Conditions
<b>RECOMMENDED FOR FUNDING</b>							
T.r Hespe & T.e Kennedy	"What Would Edith Do?" concert series at the Grand Days store, Kings Cross	A series of live music events at the Grand Days vintage clothing, books and record store in Kings Cross.	\$9,700	Nil	<b>\$7,500</b>	<b>Nil</b>	Nil
The Trustee for Cook Purton Trust	"Battle of the Tarts" at the Silly Tart Kitchen, Kings Cross	Monthly immersive theatre experiences that celebrate the history of 1920's Kings Cross and the underworld matriarchs Kate Leigh and Tilly Devine	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Nil
Thom Global Pty Ltd	Relaunch of the Pavlovabar Club Night at Club 77, Darlinghurst	A weekly event at Club 77 featuring local DJ's, with a focus on programming LGBTQI and culturally diverse artists	\$10,000	Nil	<b>\$5,000</b>	<b>Nil</b>	Funding towards artist fees
Tina Amina Zaman	Tight 5 Comedy Live Show at Parliament on King, Newtown	A series of stand up comedy events featuring comedians who identify as culturally diverse, LGBTQI, people with disability and neurodiverse.	\$10,000	Nil	<b>\$5,000</b>	<b>Nil</b>	Funding towards artist fees
Viral Ventures (Australia) Pty Ltd	Saloon 24 Immersive Theatre Experience, Kings Cross	An immersive theatre show and cocktail experience inspired by the Wild West Saloons of old, presented weekly from Wednesday - Sunday	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Applicant to submit a revised budget
Wanyoo Pty Ltd	E-sports Sydney at Wanyoo Cyber Cafe, Sydney	A fortnightly tournament of e-sports, offering a safe and alcohol free space for young people to play video games together	\$10,000	Nil	<b>\$5,000</b>	<b>Nil</b>	Nil

## Business Support Grant – Night Time Diversification Round 2 2020-21

Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested	\$ Amount Recommended	VIK Recommended	Conditions
<b>RECOMMENDED FOR FUNDING</b>							
Wild Escapes (Oceania) Pty Ltd	Bar and Laneways Tour, The Rocks	A walking tour of small bars and laneways in the Rocks, with guests visiting local bars and learning about Sydney's history	\$10,000	Nil	<b>\$5,000</b>	<b>Nil</b>	Applicant to work with City Historian; Applicant to develop a project plan and provide letters of support from partners.

## **Attachment D**

**Not Recommended for Funding  
Round Two 2020/21  
Night Time Diversification Grant  
Program**

## Business Support Grant

### Not Recommended for Funding

Business Support Grant – Night Time Diversification Round 2 2020-21				
Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested
<b>NOT RECOMMENDED FOR FUNDING</b>				
Avenue on Sussex Pty Ltd	Live music at Avenue on Sussex, Sydney	A weekly program of live music including solo artists, bands and DJ's, to encourage night time activation in the inner city	\$10,000	Nil
Big Beat (Australia) Pty Ltd	Diversity Project at Home, Sydney	A capacity building program for staff, to better enable a more diverse program of artists and events	\$10,000	Nil
Burdekin Hotel Group Pty Ltd	Drink & Dine to Drag & Bands at the Burdekin, Oxford Street	A weekly program of entertainment, including drag shows and live music, offering a safe space for the LGBTQI community	\$10,000	Nil
Dean White	More events at Trade Club, Surry Hills	To extend trading hours, offer night time events and open a retail space at the Trade Club in Surry Hills	\$10,000	Nil
Golden Age Cinema & Bar Pty Ltd	Off Set at Golden Age Cinema and Bar, Surry Hills	A monthly panel discussion and film series, highlighting different roles within the Australian screen industry and connecting emerging and experienced creative practitioners	\$10,000	Nil
J.S Fraser & T.O Morrissey & T.A Packman	Settings at the Sydney Opera House, Circular Quay	A series of audio-visual events showcasing contemporary music and design	\$10,000	Nil
L Coy & C Staff & The Trustee for Dickson McLoughlin Family Trust & C Whelan	Live Music at the Mercantile Hotel, The Rocks	A weekly live music event over summer =featuring solo artists, duos and bands in both the outdoor and indoor space of the Mercantile Hotel in the Rocks	\$9,750	Nil
Pirrama Espresso Pty Ltd	Night Entertainment at Pirrama Espresso, Pymont	A weekly program of live music including solo artists, bands and DJ's, to encourage night time activation in the inner city	\$10,000	Nil
RSF Group Pty Ltd	Live Music at White Rabbit, Sydney	A new weekly program of live music to encourage night time activation in the inner city	\$10,000	Nil
S-data Investments Sydney Pty Ltd	Battle of the Bands at the Hard Rock Cafe, Darling Harbour	A four week battle of the bands competition, offering performance opportunities for local musicians	\$10,000	Nil

## Business Support Grant – Night Time Diversification Round 2 2020-21

Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested
<b>NOT RECOMMENDED FOR FUNDING</b>				
Solid Circles Pty Ltd	S*A*S*H Social at the Greenwood, North Sydney and Home, Sydney	A series of day and night electronic music events at the Greenwood and Home nightclubs	\$10,000	Nil
The Experience Entertainment Group Pty Ltd	Hit for 6 Program at The Soda Factory, Surry Hills	A new program offering live entertainment, including live music, DJ's, musical bingo and trivia	\$10,000	Nil
The trustee for Barbaro Family Trust	Live Music at Avenue on Chifley, Sydney	A weekly program of live music including solo artists, bands and DJ's, to encourage night time activation in the inner city	\$10,000	Nil
The Trustee for GC111 Unit Trust	Tilly May's Devine Wine Dinners at the Trinity Hotel, Surry Hills	A four course menu paired with wine from small wineries from around Australia, including a talk and Q&A's from the wine maker	\$5,000	Nil
The Trustee for Vin Petrinovic Family Trust	Diverse Night Time Programming at the Flinders Hotel, Darlinghurst	A weekly program of night time activities, including live music, DJ competitions, fashion shows, cocktail making classes	\$10,000	Nil
Town Hall Hotel Unit Trust	Community Bingo at the Town Hall Hotel, Newtown	A free weekly drag bingo night, featuring an intermission performance by the host	\$10,000	Nil
Town Hall Hotel Unit Trust	Open Mic Night at the Town Hall Hotel, Newtown	A weekly open mic night, providing performance opportunities for local and emerging artists	\$10,000	Nil

# **Attachment E**

**Recommended for Funding  
Round Two 2020/21  
CBD Activation Matching Grant  
Program**

## CBD Activation Matching Grant

### Recommended for Funding

CBD Activation Matching Grant Round 2 2020-21							
Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested	\$ Amount Recommended	VIK Recommended	Conditions
<b>RECOMMENDED FOR FUNDING</b>							
ABV & Co Pty Ltd, trading as Papa Gede's Bar	Laneway Love, at Papa Gede's Sydney	A series of events to be held over four consecutive summer weeks in the courtyard at Papa Gede's bar in collaboration with musicians, comedians with food from selected local businesses	\$7,000	Nil	<b>\$7,000</b>	<b>Nil</b>	Applicant to provide confirmation from partners; Subject to DA approval; Subject to approval from landowners
Angela Stretch	Close Encounters of the Poetry Kind, Barangaroo	Over four weekends poets will perform their works in the streets and other non-traditional spaces of Barangaroo	\$9,750	Nil	<b>\$9,750</b>	<b>Nil</b>	Subject to approval from landowners
Art Pharmacy Pty Ltd	Pop-Up Exhibition, Haymarket	A free exhibition at a vacant shopfront in Haymarket, showcasing artworks from emerging artists, created in response to the Covid-19 pandemic	\$9,977	Nil	<b>\$9,977</b>	<b>Nil</b>	Applicant to submit revised budget; Subject to approval from landowners
Asian Australian Artists Association Incorporated	Secret Snacks, Haymarket	A self guided tour of Haymarket and its surrounds by leading Asian Australians, that leads participants past commissioned artworks and to local restaurants	\$9,980	Nil	<b>\$9,980</b>	<b>Nil</b>	Applicant to provide confirmation from partners; Applicant to submit an engagement strategy; Subject to approval from landowners

## CBD Activation Matching Grant Round 2 2020-21

Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested	\$ Amount Recommended	VIK Recommended	Conditions
<b>RECOMMENDED FOR FUNDING</b>							
Australian Music Centre Ltd as auspice for E Jigalin & L.g Nightingale	BackStage Pops Up at World Square, Sydney	A series of free live music events featuring local musicians held within shopfronts in the World Square shopping centre	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Subject to approval from landowners
Bancho Group Pty Ltd	Curated by Banchō, Haymarket	A monthly program of events featuring artwork from local emerging artists and creatives, in an effort to reactivate the night time economy in Chinatown	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Applicant to submit a project plan and revised budget;
Choy Lee Fut Sydney Pty Ltd	Fenghuang Lion Dancing, Haymarket	A series of outdoor lion dance events to revive and regenerate Chinatown's business community.	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Applicant to submit revised project plan; Subject to approval from landowners
Ispt Pty Ltd	Beats, Games & Good Vibes	A series of free events, including live entertainment and games, at World Square shopping centre, to entice workers and residents back into the inner city	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Subject to approval from landowners
Opera Mondo Pty Ltd	Emerging Artists in a Re-emerging City, Barangaroo	A series of monthly performances from emerging opera artists performing arias live at, Watermans Cove.	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Subject to approval from landowners
Perran Anthony Peter Costi	Good Space: Mixed Business, The Rocks	A series of creative events including art exhibition, talks, workshops and other activities in a vacant shop front=	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Applicant to submit project plan; Subject to approval from landowners

# CBD Activation Matching Grant Round 2 2020-21

Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested	\$ Amount Recommended	VIK Recommended	Conditions
<b>RECOMMENDED FOR FUNDING</b>							
Shesaw Pty Ltd	Interactive Scavenger Hunt, Sydney	An interactive scavenger hunt using Geocaching across Sydney business' to uncover forgotten stories of Sydney's women.	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Applicant to work with City Historian; Subject to approval from landowners
The Trustee for Alist Entertainment	Comedy Pub Crawl, Sydney	A series of comedy pub crawls hosted by a comedian who will take participants to three inner city venues to watch a stand-up comedian perform a show at each location	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Applicant to provide letters of support; Applicant to submit revised budget;
The Trustee for Ume Burger	Origami Animals at Ume Burger, Barangaroo	A collaboration with Benja Harney to create a new series of large scale origami objects based around Japanese food	\$2,500	Nil	<b>\$2,500</b>	<b>Nil</b>	Applicant to provide confirmation from artist; Subject to approval from landowners
Vicinity Centres Pm Pty Ltd	Shake The Dust Off Your Wings	A public exhibition in the Galleries, showcasing a video artwork collaboration between artist Leila Jeffreys and filmmaker Melvin Montalban, attracting foot traffic back to the inner city	\$10,000	Nil	<b>\$10,000</b>	<b>Nil</b>	Subject to approval from landowners

# **Attachment F**

**Not Recommended for Funding  
Round Two 2020/21  
CBD Activation Matching Grant  
Program**

## CBD Activation Matching Grant

### Not Recommended for Funding

CBD Activation Matching Grant Round 2 2020-21				
Organisation Name	Project Name	Project Description	\$ Amount Requested	VIK Requested
<b>NOT RECOMMENDED FOR FUNDING</b>				
Dimitrios Papalexis	Creative Activation at Millers Point Community Farmers Market	A series of live music events featuring emerging artists, to engage the community and increase the popularity of the stalls at Community Farmers Market	\$10,000	Nil
The Ethics Centre Limited	Pig, Sydney	An internative public art work displayed at the Queen Victoria Building	\$9,031	Nil