

15 October 2018

At 2.00 pm



Corporate, Finance, Properties and Tenders Committee

Sydney 2030 / Green Global Connected

Agenda

- 1. Disclosures of Interest**
- 2. Investments Held as at 31 August 2018**
- 3. Presentation of the 2017/18 Financial Statements and Audit Reports to Council**
- 4. Review of the Investment Policy and Strategy for the Management of Council's Surplus Funds**
- 5. Green Square to Ashmore Connector Road - Property Acquisitions**
- 6. Exemption from Tender - Variation to Existing Consultancy Services Contract for Green Square Town Centre Essential Infrastructure and Public Domain**
- 7. Pemulwuy Project - Final Land Transfer and Variation of Deed to the Aboriginal Housing Company**
- 8. Tender - Build and Delivery of the 2019 Chinese New Year Zodiac Lanterns**
- 9. Tender - Reject and Negotiate - Sydney Park Amenities**

Economic Development and Business Sub-Committee

- 10. Grants and Sponsorship – Round Two 2018/19 – Economic Grants – Business Support Grants – Live Music and Performance and Night Time Diversification**
- 11. Knowledge Exchange Sponsorship - Global Sydney Talent Connect Program**
- 12. Knowledge Exchange Sponsorship - Asia Business Event Series 2018-2020**
- 13. Knowledge Exchange Sponsorship - Generation**

Guidelines for Speakers at Council Committees



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

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

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

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

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

Item 1.

Disclosures of Interest

Pursuant to the provisions of section 451 of the Local Government Act 1993, Councillors are required to disclose pecuniary interests in any matter on the agenda for this meeting of the Corporate, Finance, Properties and Tenders Committee.

Councillors are also required to disclose any non-pecuniary interests in any matter on the agenda for this meeting of the Corporate, Finance, Properties and Tenders Committee in accordance with the relevant clauses of the Code of Conduct – February 2016.

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

Written disclosures of interest received by the Chief Executive Officer in relation to items for consideration at this meeting will be laid on the table.

Item 2.

Investments Held as at 31 August 2018

File No: X011299

Summary

This report provides details of Council's investment portfolio and performance to 31 August 2018.

The City's total Investment and Cash position was \$597.1M at the end of August, with investments earning interest of \$1.3M for the month.

The majority of the City's cash and investments portfolio is held as internally restricted (\$309.6M) or externally restricted (\$126.7M) cash reserves, to satisfy the City's legislative responsibilities and to set aside specific funds for the City's funding commitments to the major initiatives within the Sustainable Sydney 2030 Community Strategic Plan.

Key commitments within the City's Long Term Financial Plan include public domain works in the CBD to support the implementation of the CBD and South East light rail project and stormwater, town centre infrastructure and community facilities in the Green Square urban renewal area. The balance of investment funds represent working capital and funding required for the City's operating and capital expenditure commitments.

The City achieved an annualised monthly return of 2.89 per cent for August, significantly above the 30 Day Bank Bill Rate of 1.87 per cent, the AusBond Bank Bill Index (published by Bloomberg) of 2.06 per cent and the enhanced benchmark of 2.32 per cent (Bank Bill Rate + 0.45 per cent) as endorsed in October 2017 as part of the Investment Strategy.

The City's annual rolling return of 2.84 per cent also continues to exceed the 12 month average 30 Day Bank Bill Rate of 1.75 per cent, the AusBond Bank Bill Index of 1.85 per cent and the enhanced benchmark of 2.20 per cent (Bank Bill Rate + 0.45 per cent) as endorsed in October 2017 as part of the Investment Strategy.

The structure of the City's investment portfolio continues to reflect the conservative approach outlined in the Investment Policy and Strategy, which remains appropriate for the current global and domestic economic conditions. The policy and strategy also maintain the City's commitment to sustainable investments where returns and risks are equivalent by changing the word 'desirable' to 'preferred' under the environmentally and socially responsible investment criteria.

Recommendation

It is resolved that the Investment Report as at 31 August 2018 be received and noted.

Attachments

Attachment A. Register of Investments and Cash as at 31 August 2018

Attachment B. Investment Performance as at 31 August 2018

Background

1. In accordance with the principles of financial management, cash that is surplus to the City's immediate requirements is invested within acceptable risk parameters to optimise interest income while ensuring the security of these funds.
2. Surplus cash is only invested in authorised investments that comply with governing legislation and the City's Investment Policy and Strategy.
3. The benchmark performance goal of the City's Investment Policy and Strategy is to surpass the 30 Day Bank Bill Rate by 45 basis points while performance also continues to be measured against the Bloomberg AusBond Bank Bill Index.
4. The City's total Investment and Cash position as at 31 August 2018 was \$597.1M, an increase of \$4.5M from the \$592.6M reported at 31 July 2018 reflecting operating income offset by capital works expenditure and other operational payments. A schedule detailing all of the City's investments as at the end of August is provided at Attachment A.
5. The majority of the City's cash and investments portfolio is held as internally restricted (\$309.6M) or externally restricted (\$126.7M) cash reserves, to satisfy the City's legislative responsibilities and to set aside specific funds for the City's funding commitments to the major initiatives within the Sustainable Sydney 2030 Community Strategic Plan.
6. Key commitments within the City's Long Term Financial Plan include public domain works in the CBD to support the implementation of the CBD and South East light rail project and stormwater, town centre infrastructure and community facilities in the Green Square urban renewal area. The balance of investment funds represents working capital and funding required for the City's operating and other capital expenditure commitments.
7. The City achieved an annualised monthly return of 2.89 per cent for August, significantly above the 30 Day Bank Bill Rate of 1.87 per cent, the AusBond Bank Bill Index (published by Bloomberg) of 2.06 per cent and the enhanced benchmark of 2.32 per cent (Bank Bill Rate + 0.45 per cent) as endorsed in October 2017 as part of the Investment Strategy.
8. The City's annual rolling return of 2.84 per cent also continues to exceed the 12 month average 30 Day Bank Bill Rate of 1.75 per cent, the AusBond Bank Bill Index of 1.85 per cent and the enhanced benchmark of 2.20 per cent (Bank Bill Rate + 0.45 per cent) as endorsed in October 2017 as part of the Investment Strategy.
9. The Reserve Bank of Australia last adjusted the official cash rate in August 2016, when it was reduced to 1.50 per cent. The market responded accordingly, and lower yields on investments have had a sustained adverse impact on the City's portfolio return. This trend is anticipated to continue, though in recent periods some improvement in longer term interest rates has been noted.

10. The City has been able to outperform the industry benchmarks, and our own enhanced benchmarks (Investment Strategy benchmarks are based on returns currently available in the 30-90 day investment market), on both a monthly and annual rolling basis. This performance largely reflects the City's prior decisions to lock in a number of investments with fixed rates of 4.5 per cent p.a. and floating rates with fixed margins significantly above the risk free rate. However, as these investments have continued to mature, surplus funds have been reinvested at lower rates, as offered in the market.
11. The structure of the City's investment portfolio continues to reflect the conservative approach outlined in the Investment Policy and Strategy, which remains appropriate for the current global and domestic economic conditions.
12. As noted in previous investment reports, the downgrade of 23 financial institutions' global ratings by Standard and Poors in May 2017 incorporated a downgrade of both Bank of Queensland and Bendigo & Adelaide Bank from an A- to a BBB+ rating. The City's Investment Policy limits the maximum amount that may be invested with sub 'A' rated institutions to \$10M each. In the case of Bendigo & Adelaide Bank, the City continues to hold \$16M of long-term investments, with the earliest maturity date scheduled for a \$6M investment on 14 November 2018. The Investment Policy's "grandfathering" provisions have been applied, allowing the existing investments to be maintained or divested in accordance with all regular investment considerations, but no further investment will be permissible at this time.

Key Implications

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

Financial Implications

14. The City's investments earned interest of \$1.3M for the month of August 2018, against budgeted earnings of \$1.1M. Investment earnings for the full year are forecast to be on budget of \$13.5M.

Relevant Legislation

15. The City is authorised to invest its surplus cash under Section 625 of the Local Government Act 1993.
16. The Local Government (General) Regulation 2005 (clause 212) requires the City to provide a written monthly report of all monies invested, under Section 625 of the Act.
17. The Investment Policy and Strategy was revised in October 2017, maintaining the City's commitment to give preference to sustainable investments where returns and risks are equivalent to other investments. The revision also maintained the broadening of the definition of environmentally harmful activities to include specific reference to coal, gas and oil.
18. The City's investments accord with the Minister's Investment Order, the Office of Local Government's Investment Policy Guidelines, and the City's own Investment Policy and Strategy as adopted by Council on 16 October 2017.

Critical Dates / Time Frames

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

Public Consultation

20. Consultation is regularly undertaken with a number of financial institutions and investment advisers to consider options and ensure that the City continues to maximise its investment return within appropriate risk parameters.
21. City staff meet regularly with representatives of each of the 'Big 4' banks and NSW TCorp. At these meetings City staff actively advocate for Socially Responsible Investment opportunities. To date, feedback from these meetings is that there is a well-known appetite in the market for these products and they are investigating the development of suitable products, however it is difficult to match the level of funds to available Socially Responsible Investment opportunities that meet both the credit risk and maturity profile requirements of the City.

BILL CARTER

Chief Financial Officer

James Legarse, Financial Accountant

Attachment A

**Register of Investments and Cash
as at 31 August 2018**

REGISTER OF INVESTMENTS AND CASH AS AT 31 AUGUST 2018

Institution	Rating	Amount \$	Monthly Net Returns	Monthly Net Return Annualised	Net Returns Rolling 12 Months	Maturity Date	Investment Date	Term (months)
Call Account								
Westpac Bank	AA	27,873,012	0.15%	1.75%	1.75%	1-Sep-18	22-May-12	0
Total		27,873,012	0.15%	1.75%	1.75%			
Term Deposits (TD)								
Westpac Banking Corporation (Fixed Rate , interest paid quarterly)	AA	5,000,000	0.22%	2.61%	2.61%	1-Sep-18	28-Aug-17	12
Commonwealth Bank	AA	5,000,000	0.22%	2.60%	2.60%	4-Sep-18	4-Sep-17	12
Bankwest	AA	5,000,000	0.23%	2.70%	2.70%	7-Sep-18	7-May-18	4
Commonwealth Bank (Interest paid semi-annual)	AA	5,000,000	0.22%	2.59%	2.59%	14-Sep-18	12-Sep-17	12
Westpac Banking Corporation (Fixed Rate , interest paid quarterly)	AA	5,000,000	0.22%	2.61%	2.61%	17-Sep-18	25-Aug-17	13
Westpac Banking Corporation (Fixed Rate , interest paid quarterly)	AA	5,000,000	0.22%	2.65%	2.65%	21-Sep-18	21-Sep-17	12
Bankwest	AA	5,000,000	0.18%	2.20%	2.20%	28-Sep-18	28-Aug-18	1
ME Bank	A	5,000,000	0.23%	2.80%	2.80%	5-Oct-18	22-Jun-18	3
ME Bank	A	5,000,000	0.23%	2.80%	2.80%	12-Oct-18	22-Jun-18	4
National Aust Bank	AA	5,000,000	0.21%	2.55%	2.55%	15-Oct-18	16-Feb-18	8
Bankwest	AA	5,000,000	0.21%	2.55%	2.55%	16-Oct-18	13-Aug-18	2
Bankwest	AA	5,000,000	0.23%	2.70%	2.70%	21-Nov-18	10-Apr-18	7
Bank of Queensland	A	5,000,000	0.22%	2.60%	2.60%	13-Nov-18	16-Feb-18	9
Credit Union Australia Ltd	A	5,000,000	0.23%	2.80%	2.80%	29-Nov-18	3-May-18	7
ME Bank	A	5,000,000	0.23%	2.70%	2.70%	30-Nov-18	30-Apr-18	7
Bank of Queensland	A	5,000,000	0.22%	2.60%	2.60%	7-Dec-18	8-Dec-17	12
Credit Union Australia Ltd	A	5,000,000	0.22%	2.65%	2.65%	7-Dec-18	5-Feb-18	10
Suncorp Bank	A	5,000,000	0.23%	2.70%	2.70%	7-Dec-18	8-Aug-18	4
Bank of Queensland	A	5,000,000	0.22%	2.60%	2.60%	11-Dec-18	1-Mar-18	9
ME Bank	A	5,000,000	0.22%	2.60%	2.60%	13-Dec-18	29-Jun-18	5
National Aust Bank	AA	5,000,000	0.23%	2.80%	2.80%	13-Dec-18	15-Jun-18	6
Bank of Queensland	A	5,000,000	0.22%	2.60%	2.60%	14-Dec-18	9-Feb-18	10
Bank of Queensland	A	5,000,000	0.22%	2.60%	2.60%	14-Dec-18	14-Feb-18	10
Bendigo & Adelaide Bank	A	5,000,000	0.23%	2.80%	2.80%	14-Dec-18	4-Jul-18	5
ME Bank	A	5,000,000	0.22%	2.60%	2.60%	17-Dec-18	1-Mar-18	10
National Aust Bank	AA	5,000,000	0.23%	2.80%	2.80%	18-Dec-18	28-Jun-18	6
ME Bank	A	5,000,000	0.23%	2.70%	2.70%	20-Dec-18	9-Apr-18	8
Bankwest	AA	5,000,000	0.23%	2.70%	2.70%	21-Dec-18	24-Aug-18	4
Bankwest	AA	5,000,000	0.22%	2.65%	2.65%	21-Dec-18	29-Aug-18	4
Bankwest	AA	5,000,000	0.22%	2.65%	2.65%	28-Dec-18	28-Aug-18	4
Bankwest	AA	5,000,000	0.23%	2.70%	2.70%	4-Jan-19	23-Aug-18	4
Westpac Banking Corporation (Fixed Rate , interest paid quarterly)	AA	5,000,000	0.22%	2.64%	2.64%	15-Jan-19	15-Jan-18	12
Bank of Queensland	A	5,000,000	0.23%	2.75%	2.75%	21-Jan-19	20-Apr-18	9
Westpac Banking Corporation (Fixed Rate , interest paid quarterly)	AA	5,000,000	0.22%	2.67%	2.67%	22-Jan-19	23-Jan-18	12
Credit Union Australia Ltd	A	5,000,000	0.23%	2.80%	2.80%	25-Jan-19	4-May-18	9
Credit Union Australia Ltd	A	5,000,000	0.23%	2.80%	2.80%	1-Feb-19	8-May-18	9
Credit Union Australia Ltd	A	5,000,000	0.22%	2.67%	2.67%	8-Feb-19	12-Feb-18	12
Credit Union Australia Ltd	A	5,000,000	0.22%	2.67%	2.67%	12-Feb-19	21-Feb-18	12
Suncorp Bank	A	5,000,000	0.23%	2.75%	2.75%	22-Feb-19	31-Aug-18	6
Suncorp Bank	A	5,000,000	0.23%	2.75%	2.75%	8-Mar-19	8-Aug-18	7
ME Bank	A	5,000,000	0.24%	2.83%	2.83%	15-Mar-19	4-Jul-18	8
Westpac Banking Corporation (Fixed Rate , interest paid quarterly)	AA	5,000,000	0.22%	2.68%	2.68%	19-Mar-19	19-Mar-18	12
Bank of Queensland	A	5,000,000	0.23%	2.75%	2.75%	29-Mar-19	29-Aug-18	7
Bank of Queensland	A	5,000,000	0.23%	2.75%	2.75%	5-Apr-19	9-Aug-18	8
IMB	A	5,000,000	0.23%	2.75%	2.75%	12-Apr-19	16-Aug-18	8
Bankwest	AA	5,000,000	0.23%	2.80%	2.80%	26-Apr-19	10-Aug-18	8
Bankwest	AA	5,000,000	0.23%	2.80%	2.80%	3-May-19	14-Aug-18	9
Bendigo & Adelaide Bank	A	5,000,000	0.23%	2.80%	2.80%	6-May-19	10-Jul-18	10
Bankwest	AA	5,000,000	0.23%	2.80%	2.80%	17-May-19	22-Aug-18	9
Bankwest	AA	5,000,000	0.23%	2.80%	2.80%	28-May-19	31-Aug-18	9
Bankwest	AA	5,000,000	0.23%	2.80%	2.80%	31-May-19	31-Aug-18	9
Bendigo & Adelaide Bank	A	5,000,000	0.23%	2.80%	2.80%	4-Jun-19	5-Jul-18	11
Credit Union Australia	A	5,000,000	0.24%	2.90%	2.90%	6-Jun-19	6-Jul-18	11
ME Bank	A	5,000,000	0.23%	2.80%	2.80%	21-Jun-19	09-Jul-18	11
Bendigo & Adelaide Bank	A	5,000,000	0.24%	2.83%	2.83%	3-Jul-19	4-Jul-18	12
Credit Union Australia	A	5,000,000	0.24%	2.90%	2.90%	5-Jul-19	6-Jul-18	12
AMP Bank	A	5,000,000	0.24%	2.85%	2.85%	20-Aug-19	20-Aug-18	12
ANZ Bank (90 days BBSW + 98 points) quarterly reset and payment of coupon	AA	10,000,000	0.24%	2.94%	2.79%	28-Aug-20	28-Aug-15	60
ANZ Bank (90 days BBSW + 95 points) quarterly reset and payment of coupon	AA	10,000,000	0.24%	2.91%	2.77%	31-Aug-20	1-Sep-15	60
Westpac Banking Corporation (2.90% Fixed 2 years & 90 days BBSW + 90 points)	AA	5,000,000	0.24%	2.90%	2.90%	11-Oct-21	12-Oct-17	48
Westpac Banking Corporation (3% Fixed 2 years & 90 months BBSW + 133 points 3 years)	AA	5,000,000	0.25%	3.00%	3.00%	15-Dec-21	15-Dec-16	60
Westpac Banking Corporation (3% Fixed 2 years & RBA cash rate + 126 points 3years)	AA	5,000,000	0.25%	3.00%	3.00%	31-Aug-22	31-Aug-17	60
Total		320,000,000	0.23%	2.73%	2.72%			
Floating Rate Notes (FRN)								
Commonwealth Bank (90 days BBSW + 78 points)	AA	5,000,000	0.23%	2.79%	2.65%	19-Oct-18	19-Oct-15	36
Commonwealth Bank (Fixed rate @ 4.50% semi annual)	AA	2,000,000	0.38%	4.50%	4.50%	31-Oct-18	26-Mar-14	55
Commonwealth Bank (Fixed rate @ 4.50% semi annual)	AA	7,000,000	0.38%	4.50%	4.50%	31-Oct-18	23-Sep-14	49
Commonwealth Bank (Fixed rate @ 4.50% semi annual)	AA	10,000,000	0.38%	4.50%	4.50%	31-Oct-18	7-Nov-13	60
Bendigo & Adelaide Bank (90days BBSW + 127 points)	A	6,000,000	0.27%	3.22%	3.06%	14-Nov-18	14-Nov-13	60
National Australia Bank (90 days BBSW + 98 points)	AA	5,000,000	0.25%	2.94%	2.79%	25-Feb-19	25-Feb-16	36
Westpac Banking Corporation (Fixed 4.50% semi annual)	AA	5,000,000	0.38%	4.50%	4.50%	25-Feb-19	26-Mar-14	59
Newcastle Permanent Building Society (90 days BBSW + 160 points)	BBB	4,500,000	0.31%	3.70%	3.50%	22-Mar-19	22-Mar-16	36
Credit Union Australia (90 days BBSW + 160 points)	A	5,000,000	0.31%	3.69%	3.48%	1-Apr-19	1-Apr-16	36

REGISTER OF INVESTMENTS AND CASH AS AT 31 AUGUST 2018

Institution	Rating	Amount \$	Monthly Net Returns	Monthly Net Return Annualised	Net Returns Rolling 12 Months	Maturity Date	Investment Date	Term (months)
Westpac Bank (90 days BBSW + 100 points)	A	5,000,000	0.25%	2.97%	2.80%	10-May-19	11-Mar-16	38
Commonwealth Bank (90 days BBSW + 98 points)	AA	5,000,000	0.25%	2.98%	2.85%	18-Jul-19	18-Apr-16	39
ME Bank (90 days BBSW + 145 points)	BBB	5,000,000	0.29%	3.45%	3.32%	18-Jul-19	18-Jul-16	36
Westpac Banking Corporation (90 days BBSW + 90 points)	AA	10,000,000	0.24%	2.89%	2.77%	22-Jan-20	22-Jan-15	60
Royal Bank of Canada (90 days BBSW + 95 points)	A	5,000,000	0.24%	2.92%	2.75%	10-Feb-20	10-Feb-15	60
Bank of Queensland (90 days BBSW + 105 points)	BBB	5,000,000	0.25%	3.01%	2.85%	12-Feb-20	12-Feb-15	60
Greater Bank (90 days BBSW + 145 points)	A	5,000,000	0.28%	3.40%	3.26%	24-Feb-20	24-Feb-17	36
Newcastle Permanent Building Society (90 days BBSW + 135 points)	BBB	5,000,000	0.29%	3.43%	3.22%	7-Apr-20	7-Apr-15	60
Newcastle Permanent Building Society (90 days BBSW + 135 points)	BBB	7,500,000	0.29%	3.43%	3.22%	7-Apr-20	18-Jul-16	45
National Australia Bank (90 days BBSW + 80 points)	AA	5,000,000	0.23%	2.81%	2.63%	3-Jun-20	3-Jun-15	60
Commonwealth Bank (90 days BBSW + 90 points)	AA	10,000,000	0.24%	2.92%	2.77%	17-Jul-20	17-Jul-15	60
Westpac Banking Corporation (90 days BBSW + 90 points)	AA	5,000,000	0.24%	2.87%	2.75%	28-Jul-20	28-Jul-15	60
Bendigo & Adelaide Bank (90 days BBSW + 110 points)	A	5,000,000	0.26%	3.07%	2.90%	18-Aug-20	18-Aug-15	60
AMP Bank (90 days BBSW + 75 points)	A	5,000,000	0.24%	2.82%	2.64%	6-Oct-20	6-Oct-17	36
Suncorp Bank (90 days BBSW + 125 points)	A	5,000,000	0.27%	3.24%	3.12%	20-Oct-20	20-Oct-15	60
Westpac Banking Corporation (90 days BBSW + 108 points)	AA	15,000,000	0.25%	3.05%	2.93%	28-Oct-20	28-Oct-15	60
National Australia Bank (90 days BBSW + 108 points)	AA	10,000,000	0.25%	3.05%	2.89%	5-Nov-20	5-Nov-15	60
ME Bank (90 days BBSW + 125 points)	BBB	2,250,000	0.27%	3.22%	3.07%	9-Nov-20	9-Nov-17	36
Commonwealth Bank (90 days BBSW + 115 points)	AA	5,000,000	0.26%	3.15%	3.02%	18-Jan-21	20-Jan-16	60
Heritage Bank (90 days BBSW + 123 points)	BBB	3,500,000	0.28%	3.35%	3.30%	29-Mar-21	29-Mar-18	36
ANZ Bank (90 days BBSW + 118 points)	AA	5,000,000	0.27%	3.26%	3.05%	7-Apr-21	7-Apr-16	60
Suncorp Bank (90 days BBSW + 138 points)	A	5,000,000	0.28%	3.40%	3.25%	12-Apr-21	12-Apr-16	60
ME Bank (90 days BBSW + 127 points)	BBB	2,500,000	0.27%	3.29%	3.33%	16-Apr-21	17-Apr-18	36
Bendigo & Adelaide Bank (90 days BBSW + 146 points)	A	5,000,000	0.29%	3.45%	3.33%	20-Apr-21	20-Apr-16	60
Commonwealth Bank (90 days BBSW + 85 points)	AA	4,600,000	0.23%	2.79%	2.65%	17-Nov-21	17-Nov-16	60
Suncorp Bank (90 days BBSW + 97 points)	A	2,500,000	0.24%	2.93%	2.77%	16-Aug-22	16-Aug-17	60
Bank of Queensland (90 days BBSW + 105 points)	BBB	4,000,000	0.25%	3.03%	2.96%	3-Feb-23	5-Feb-18	60
Westpac Bank (90 days BBSW + 83 points)	AA	5,000,000	0.24%	2.87%	2.79%	6-Mar-23	6-Mar-18	60
ANZ Bank (90 days BBSW + 90 points)	AA	5,000,000	0.24%	2.87%	2.85%	9-May-23	9-May-18	60
National Australia Bank (90 days BBSW + 90 points)	AA	5,000,000	0.24%	2.86%	2.82%	16-May-23	16-May-18	60
Commonwealth Bank (90 days BBSW + 93 points)	AA	3,500,000	0.24%	2.89%	2.89%	16-Aug-23	16-Aug-18	60
<u>Floating Rate Notes (FRN) 'Green/Climate Bonds'</u>								
ANZ Bank Green Bond (Fixed rate @ 3.25% semi annual)	AA	5,000,000	0.27%	3.25%	3.25%	3-Jun-20	3-Jun-15	60
Commonwealth Bank Climate Bond (90 days BBSW + 92 points)	AA	5,000,000	0.25%	3.04%	2.84%	31-Mar-22	31-Mar-17	60
Total		229,850,000	0.27%	3.25%	3.12%			
Total Investments		577,723,012	0.24%	2.89%	2.84%			
Benchmark: 30 Day Bank Bill Index			0.16%	1.87%	1.75%			
Benchmark: Bloomberg AusBond Bank Bill Index			0.17%	2.06%	1.85%			
City of Sydney's available bank balance as at 31 August 2018		19,417,900						
TOTAL INVESTMENTS & CASH		597,140,912						

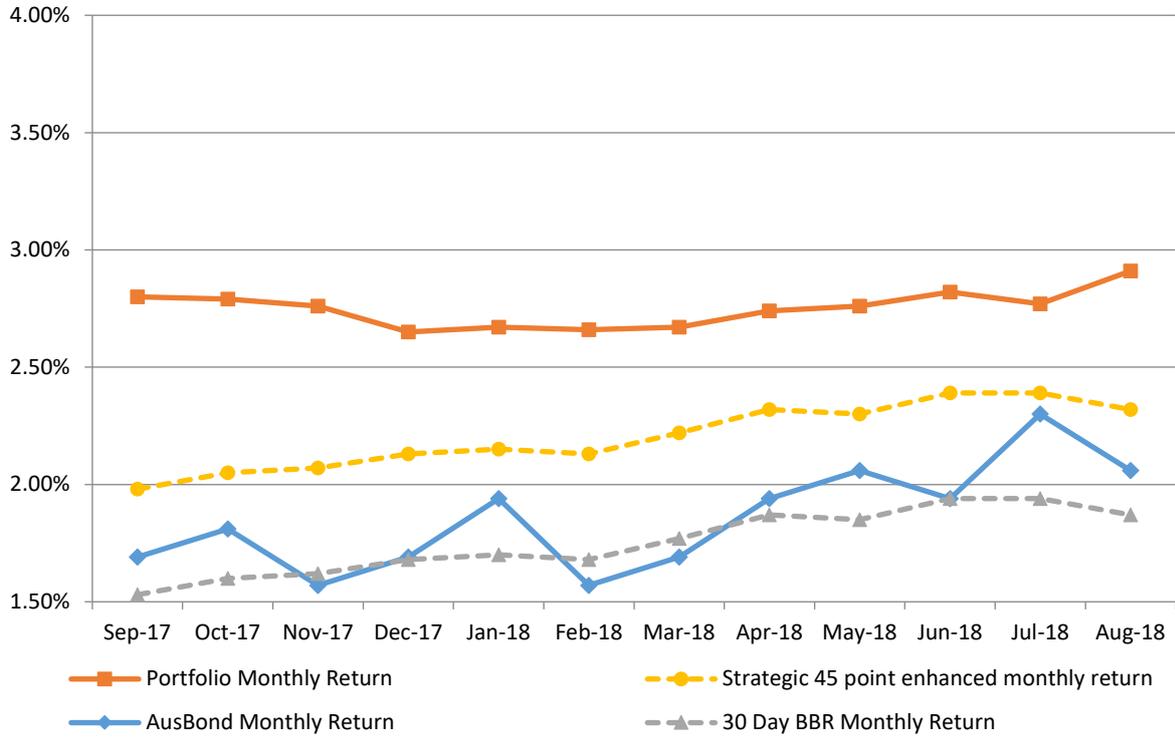
Summary of Net Investment Movements - August 2018			
Financial Institution	Fund Rating	Invest/(Recall) Amount \$	Commentary
Call Account			
Westpac Banking Corporation	AA	(62,000,000)	Redeemed funds from Call Account for the payment of Light Rail Contribution scheduled in early August 2018.
Term Deposits (TDs)			
Bankwest	AA	45,000,000	First instalment of 2018/19 rates income received invested in short-medium term for future operational purposes.
AMP Bank	A	5,000,000	
Bank of Queensland	A	10,000,000	
Suncorp Bank	A	10,000,000	Utilised matured investments for the placement of higher yield term deposits.
IMIB	A	5,000,000	
Westpac Banking Corporation	AA	(5,000,000)	Redeemed matured Term Deposits and placed in higher yield term deposits
National Australia Bank	AA	(10,000,000)	
Floating Rate Notes (FRNs)			
Commonwealth Bank of Australia	AA	3,500,000	First instalment of 2018/19 rates income received invested in a long term FRN for future operational purposes.
Royal Bank of Canada	A	(4,500,000)	Utilised matured FRN to assist with the payment of Light Rail Contribution scheduled in early August 2018.

Attachment B

**Investment Performance
as at 31 August 2018**

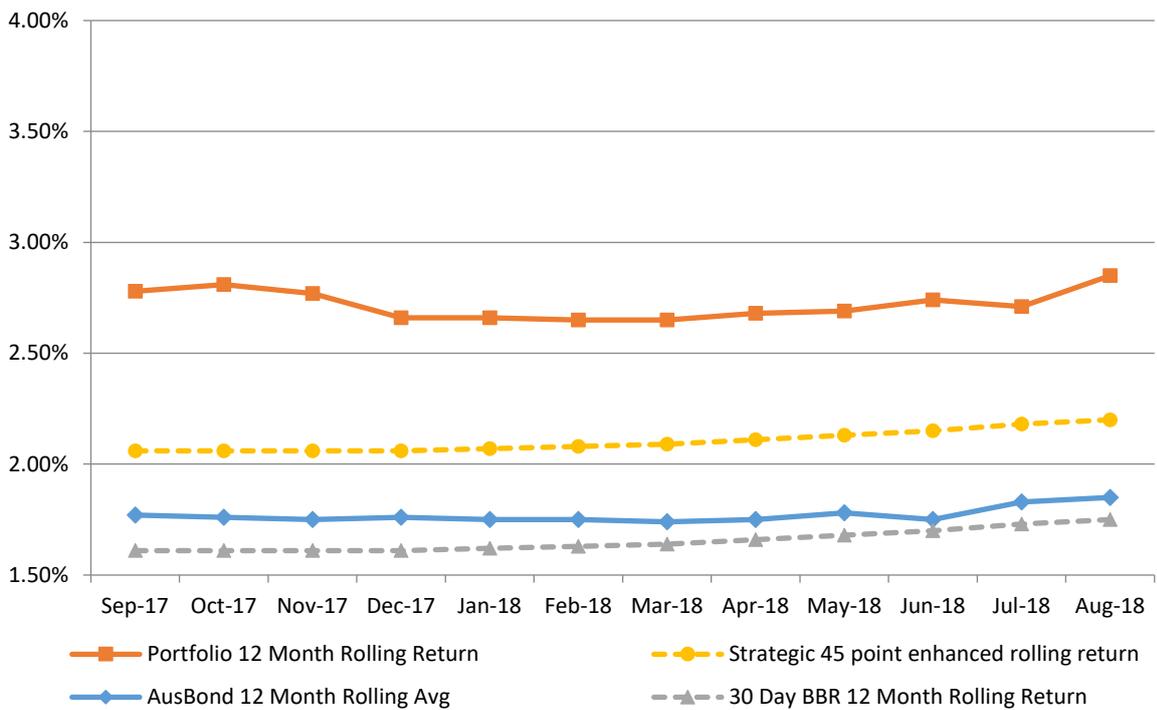
Monthly Results

**Actual Portfolio vs Strategic Enhanced Benchmark vs AusBond Benchmark vs 30 Day BBR Benchmark
August 2018**



12 Month Rolling Averages

**Actual Portfolio vs Strategic Enhanced Benchmark vs AusBond Benchmark vs 30 Day BBR Benchmark
August 2018**



Item 3.

Presentation of the 2017/18 Financial Statements and Audit Reports to Council

File No: X018037

Summary

This report presents the City's 2017/18 Financial Statements to Council and seeks authorisation to issue the public notice of the intention to present the audited statements to the public at the Council meeting of 19 November 2018.

The City of Sydney's Income Statement for the year ended 30 June 2017 reports a Net Operating Result for the year of \$217.1M, in accordance with relevant accounting standards and reporting requirements, against a budget of \$27.8M. The increase above budget is mainly due to higher than expected levels of developer contributions during the year, a revaluation of the City's Investment Properties and a delay, awaiting achievement of project milestones, in the payment of the City's largest contribution to Transport NSW for the Light Rail Project.

In finalising the 2017/18 Financial Statements, some further adjustments were made to the results reported to Council within the 2017/18 Quarter 4 Review of the Delivery Program. These adjustments are summarised in the attached background information.

The Statement of Financial Position reports Net Assets of \$12.0B, an increase of \$0.2B over the year.

The City of Sydney remains in a strong, stable financial position. The City is well placed to fund its operations on an ongoing basis, with sufficient financial resources to support its ongoing operations and programs, and the \$1.7B capital works program identified within the City's 2018/19 to 2027/28 Long Term Financial Plan.

The 2017/18 financial statements incorporate mandatory disclosures of financial performance ratios within the Statement of Performance Measurement (Note 13 of the General Purpose Financial Statements) and the Report on Infrastructure Assets (Special Schedule 7). The ratios include those mandated as part of the Fit for the Future benchmarks, as well as other relevant performance indicators.

Effective measurement and monitoring of a range of relevant performance indicators, particularly those related to asset management, remains an ongoing challenge. The City supports the ongoing effort to assess and report each council's financial and asset management sustainability, and will continue to work with the 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.

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

The City's external auditor, the Audit Office of NSW, has completed its review and advised that it will be issuing an unqualified audit opinion on the 2017/18 Financial Statements.

Recommendation

It is resolved that Council:

- (A) receive the Financial Statements for the City of Sydney for the year ended 30 June 2018, as shown at Attachment A to the subject report;
- (B) authorise the Lord Mayor, Councillor Jess Scully (member – Audit, Risk and Compliance Committee), Chief Executive Officer, and the Chief Financial Officer to sign the General Purpose Financial Statements;
- (C) authorise the Lord Mayor, Councillor Jess Scully (member – Audit, Risk and Compliance Committee), Chief Executive Officer, and the Chief Financial Officer to sign the Special Purpose Financial Statements;
- (D) receive the auditor's reports on the 2017/18 Annual Financial Statements; and
- (E) authorise that notice be given, by newspaper advertisement, of public presentation of the audited 2017/18 Financial Statements for the City of Sydney at the Council meeting on 19 November 2018.

Attachments

Attachment A. 2017/18 Financial Statements

Attachment B. Draft Report on the conduct of the audit

Background

1. The 2017/18 Financial Statements have been prepared for the City of Sydney in accordance with applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Local Government Act 1993 and Regulations and the Local Government Code of Accounting Practice and Financial Reporting (the Code).
2. The Annual Financial Statements comprise the:
 - (a) General Purpose Financial Statements
 - (i) Income Statement
 - (ii) Statement of Comprehensive Income
 - (iii) Statement of Financial Position
 - (iv) Statement of Changes in Equity
 - (v) Statement of Cash Flows
 - (b) Special Purpose Financial Statements
 - (i) Income Statement of Business Activities
 - (ii) Statement of Financial Position of Business Activities
 - (c) Special Schedules (note that these schedules are not subject to audit)
 - (i) Special Schedule 1 – Net Cost of Services
 - (ii) Special Schedule 2 – Permissible Income Calculation
 - (iii) Special Schedule 7 – Report on Infrastructure Assets
3. Notes to the accounts provide supporting information, and these, together with the above Financial Statements, fulfil all related statutory financial reporting requirements and are included within the City's Annual Report.
4. The Office of Local Government requires councils to value non-current assets at fair value on a staged approach of valuing different asset classes in different years, and to continue the cycle on a rolling basis.
5. As a result, the valuation process comprises revaluations of each asset class on a maximum five year cycle basis. The City has the option to undertake valuations more frequently, if required.
6. The draft Financial Statements were reviewed by the Audit Risk and Compliance Committee on 27 September 2018 for endorsement to Council for authorisation.
7. The 2017/18 financial statements incorporate mandatory disclosures of financial performance ratios within the Statement of Performance Measurement (Note 28 in the General Purpose Financial Statements) and the Report on Infrastructure Assets (Special Schedule 7).

8. While the City supports the ongoing measurement and monitoring of a range of relevant performance indicators, to assess and report each council's financial and asset management sustainability, there remain a number of reservations about the current definition and mandatory benchmarks for a number of these indicators. The City's management and financial staff have provided submissions on these concerns, as have a number of other local government professionals and auditors, and we will continue to work with the Office of Local Government to refine the current suite of indicators.
9. In cases where the mandatory ratios provide an inadequate or misrepresentative measure of the City's underlying financial performance and/or position, the City has provided supplementary indicators that eliminate some or all of these inadequacies to present a more realistic and balanced view. The importance of providing this additional disclosure to the readers of the financial statements was brought into focus by the NSW Government's 'Fit for the Future' program for local government reform. The City's submission to IPART in 2015 in respect of Fit for the Future articulated the inherent shortcomings of the key ratios and benchmarks, including Operating Performance, Debt Service (benchmark) and Asset Renewal.
10. The Audit Office of NSW, Council's external auditor, has completed their review and advised that they will be issuing an unqualified audit opinion on the 2017/18 Financial Statements.

Key Implications

Financial Implications

11. The Financial Statements reflect a Net Operating Result for the year of \$217.1M, in accordance with relevant accounting standards and reporting requirements, against a budget of \$27.8M and a Net Operating Result excluding Capital Grants and Contributions and Contribution to Light Rail of \$84.0M (versus Budget (\$8.1M)). The favourable result against budget is mainly due to higher than expected levels of developer contributions during the year, a revaluation of the City's Investment Properties and a delay, awaiting achievement of project milestones, in the payment of the City's largest contribution to Transport NSW for the Light Rail Project.
12. The Q4 Report to Council on 13 August 2018 reflected a Net Surplus of \$171.8M. There is a difference of \$45.3M between the Q4 Net Surplus and the 2017/18 Financial Statements' Net Operating Result.

Movements from the Q4 Report to the Financial Statements comprised:

	\$M Fav/(Unfav)
Net Operating Result (reported at Q4 Review)	\$171.838
Revaluation of Investment Property Portfolio	\$48.091
Recognition of Capital Contributions Income (works in kind and land dedication recognition)	\$7.493
Finalise accounting treatment for expensing of non-capital items from capital works	(\$13.031)
Recognise net Gain on Disposal of Assets (incorporating finalisation of completed capital projects and land asset reconciliation)	\$4.907
Depreciation expense adjustments resulting from fixed asset finalisation	(\$2.248)
Minor year-end income and expenditure adjustments	\$0.027
Net Operating Result (Final)	\$217.077

13. The significant variances to budget were explained in detail in the Q4 Report which was presented to Council on 13 August 2018.
14. Since that report, additional Capital Contributions of \$7.5M were recognised as a result of finalising the accounting treatment of land dedicated to the City from Voluntary Planning Agreements with developers, largely comprising land under roads.
15. The City's independent property valuers undertook the revaluation of the City's investment properties' and the increase in the portfolio was \$48.1M in 2017/18 (compared to \$44.7M in 2016/17). This result reflected continuing positive market conditions in areas where properties are held, particularly in the CBD.
16. The City of Sydney remains in a strong, stable financial position. The City is well placed to fund its operations on an ongoing basis, with sufficient financial resources to support the \$1.7B capital works program identified within the City's 2018/19 to 2027/28 Long Term Financial Plan.

Relevant Legislation

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

Critical Dates / Time Frames

20. The 2017/18 Financial Statements must be prepared, audited and submitted to the Office of Local Government by 31 October 2018.
21. A public notice must be placed to advise that the 2017/18 Financial Statements and the Auditor's Report will be presented to the public at the Council meeting of 19 November 2018. The Financial Statements will be included in the Annual Report which must be lodged with the Department of Local Government by 30 November 2018.

Public Consultation

22. After the City's 2017/18 Financial Statements are endorsed by Council, a notice will be issued to present the audited statements to the public at the Council meeting of 19 November 2018.

BILL CARTER

Chief Financial Officer



City of Sydney

General Purpose Financial Statements

for the year ended 30 June 2018

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– On the Conduct of the Audit (Sect 417 [3])	

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 2001

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.

City of Sydney

General Purpose Financial Statements

for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018, and a comparative prior year.

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 equity (or "net wealth").

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

Council is required to forward an audited set of financial statements to the Office of Local Government by 31 October 2018.

City of Sydney

General Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

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

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

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

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

Signed in accordance with a resolution of Council made on 29 October 2018.

Clover Moore
Lord Mayor

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

Monica Barone
Chief Executive Officer

Bill Carter
Responsible Accounting Officer

City of Sydney

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Restated ¹ Actual 2017
Income from continuing operations				
Revenue:				
324,489	Rates and annual charges	3a	311,580	312,730
105,982	User charges and fees	3b	115,311	106,368
13,510	Interest and investment revenue	3c	15,293	17,280
109,861	Other revenues	3d	115,722	103,376
12,664	Grants and contributions provided for operating purposes	3e,f	14,718	18,280
83,296	Grants and contributions provided for capital purposes	3e,f	133,040	119,095
Other income:				
–	Net gains from the disposal of assets	5	3,876	–
–	Fair value increment on investment property	11	48,091	44,721
649,803	Total income from continuing operations		757,632	721,848
Expenses from continuing operations				
227,141	Employee benefits and on-costs	4a	221,899	219,314
–	Borrowing costs	4b	–	–
104,124	Materials and contracts	4c	125,616	124,235
112,958	Depreciation and amortisation	4d	100,605	112,572
114,140	Other expenses	4e	92,436	86,718
63,600	Contribution to Transport for NSW - Light Rail CBD to South East	4e	–	47,100
–	Net losses from the disposal of assets	5	–	158
621,963	Total expenses from continuing operations		540,554	590,097
27,839	Net operating result for the year		217,077	131,751
	Net operating result for the year before grants and contributions provided for capital purposes		84,037	12,657
(55,456)				
	Net operating result for the year excluding Capital grants and Contributions Income and Contribution to Light Rail		84,037	59,757
8,144				

¹ Further information regarding the restatement of prior period results can be found at Note 15b

City of Sydney

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		217,077	131,751
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E		(4,380)	1,463,958
Total items which will not be reclassified subsequently to the operating result		(4,380)	1,463,958
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		(4,380)	1,463,958
Total comprehensive income for the year		212,697	1,595,710

City of Sydney

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	Restated ¹ 2017	Restated ¹ 1 July 2016
ASSETS				
Current assets				
Cash and cash equivalents	6a	136,374	51,858	45,726
Investments	6b	258,479	240,990	288,145
Receivables	7	52,446	76,424	57,593
Inventories	8	549	822	1,009
Other	8	4,000	3,234	3,829
Non-current assets classified as 'held for sale'	9	65,958	–	–
Total current assets		517,807	373,328	396,302
Non-current assets				
Investments	6b	208,370	222,885	236,043
Receivables	7	53,998	44,367	36,250
Infrastructure, property, plant and equipment	10	11,052,101	11,085,895	9,498,912
Investment property	11	344,000	268,165	223,275
Intangible assets	12	13,698	–	–
Other	8	154	168	182
Total non-current assets		11,672,322	11,621,480	9,994,662
TOTAL ASSETS		12,190,128	11,994,808	10,390,964
LIABILITIES				
Current liabilities				
Payables	13	77,774	83,612	81,517
Income received in advance	13	16,322	9,444	8,369
Provisions	14	68,942	69,264	61,353
Total current liabilities		163,039	162,320	151,239
Non-current liabilities				
Provisions	14	22,108	21,745	24,691
Total non-current liabilities		22,108	21,745	24,691
TOTAL LIABILITIES		185,147	184,065	175,930
Net assets		12,004,981	11,810,743	10,215,033
EQUITY				
Accumulated surplus	15	3,815,951	3,604,252	3,472,501
Revaluation reserves	15	4,596,226	4,649,460	3,185,501
Trust Assets Reserve	15	3,592,804	3,557,032	3,557,032
Total equity		12,004,981	11,810,743	10,215,033

¹ Further information regarding the restatement of prior period results can be found at Note 15b

City of Sydney

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018				2017				Restated ¹ Total equity
		Accumulated surplus	IPP&E revaluation reserve	Trust assets reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Trust assets reserve		
Opening balance		3,604,252	4,649,460	3,557,032	11,810,743	3,524,402	3,213,507	3,557,032	10,294,940	
Correction of prior period errors	15 (b)	–	–	–	–	(51,901)	(28,005)	–	(79,907)	
Restated opening balance		3,604,252	4,649,460	3,557,032	11,810,743	3,472,501	3,185,501	3,557,032	10,215,033	
Net operating result for the year		217,077	–	–	217,077	131,751	–	–	131,751	
Other comprehensive income										
– Gain (loss) on revaluation of IPP&E	10a	–	(4,380)	–	(4,380)	–	1,463,958	–	1,463,958	
Other comprehensive income		–	(4,380)	–	(4,380)	–	1,463,958	–	1,463,958	
Total comprehensive income (c&d)		217,077	(4,380)	–	212,697	131,751	1,463,958	–	1,595,710	
Equity adjustments related to land ²		(5,378)	(48,853)	35,772	(18,459)	–	–	–	–	
Equity – balance at end of the reporting period		3,815,951	4,596,226	3,592,804	12,004,981	3,604,252	4,649,460	3,557,032	11,810,743	

¹ Further information regarding the restatement of prior period results can be found at Note 15b

² A reconciliation of land records was undertaken by Council officers during the year. As a result, the classification details of some assets were updated. The updated records reflected that some land parcels previously recognised as Community Land in fact retained their historical designation as "Land Under Roads". Despite being utilised as small parks and reserves, the land parcels (and prior years' revaluation increments) were de-recognised, as the parcels had been acquired by Council prior to 30/6/2008.

City of Sydney

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
324,489	Rates and annual charges		310,110	318,075
103,533	User charges and fees		132,656	125,318
13,510	Investment and interest revenue received		15,874	18,540
92,960	Grants and contributions		105,269	85,245
–	Bonds, deposits and retention amounts received		13,818	17,005
109,412	Other receipts from Operating Activities		149,502	117,965
Payments:				
(227,141)	Employee benefits and on-costs		(221,135)	(217,991)
(101,319)	Materials and contracts		(144,718)	(130,562)
–	Bonds, deposits and retention amounts refunded		(10,562)	(8,951)
(168,082)	Other payments for Operating Activities		(107,891)	(166,876)
147,362	Net cash provided (or used in) operating activities	16b	242,923	157,768
Cash flows from investing activities				
Receipts:				
9,064	Sale/Redemption of investment securities		381,000	652,500
156,257	Sale of infrastructure, property, plant and equipment		28,368	1,982
Payments:				
–	Purchase of investment securities		(384,483)	(591,996)
(2,517)	Purchase of investment property		(2,500)	(169)
(311,179)	Purchase of infrastructure, property, plant and equipment		(180,792)	(213,953)
(148,376)	Net cash provided (or used in) investing activities		(158,407)	(151,636)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
Nil				
–	Net cash flow provided (used in) financing activities		–	–
(1,013)	Net increase/(decrease) in cash and cash equivalents		84,516	6,132
46,646	Plus: cash and cash equivalents – beginning of year	16a	51,858	45,726
45,633	Cash and cash equivalents – end of the year	16a	136,374	51,858
408,220	plus: Investments on hand – end of year	6b	466,849	463,876
453,852	Total cash, cash equivalents and investments		603,224	515,734

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

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City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 29/10/2018.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 24 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

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

and are clearly marked .

(a) New and amended standards adopted by Council

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

Significant judgements in applying the Council's accounting policies

- (v) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations

(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 other assets 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 other assets subject to Council's control have been included in these reports.

Trust monies and other assets held by Council but not considered to be under the control of Council are excluded from these financial statements. 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 which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published are not mandatory for the current reporting period and have not been applied.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below may have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term.

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

City of Sydney

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

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Globally competitive and innovative city	42,326	36,311	51,202	48,637	(8,876)	(12,325)	45	–	3,107	2,635
Leading environmental performer	2,019	1,580	80,282	80,544	(78,263)	(78,964)	292	485	223,523	225,079
Integrated transport for a connected city	83,807	77,060	73,851	78,356	9,957	(1,296)	3,990	3,114	997,138	967,096
City for walking and cycling	1,072	958	1,482	1,397	(410)	(439)	1,072	958	72,089	66,800
Lively and engaging city centre	0	19	612	616	(612)	(596)	–	–	93	117
Resilient and inclusive local communities	15,662	15,999	106,579	101,733	(90,918)	(85,734)	3,363	3,298	6,811,163	6,855,187
Cultural and creative city	2,795	2,764	6,843	6,513	(4,048)	(3,749)	–	2	42,501	454
Housing for a diverse community	–	–	4,176	2,453	(4,176)	(2,453)	–	–	–	–
Sustainable development, renewal and design	148,815	132,992	39,999	38,714	108,816	94,278	–	–	14,619	12,556
Implementation through effective governance and partnerships	180,084	163,179	175,527	231,134	4,556	(67,956)	144	134	4,025,895	3,864,884
General purpose income	281,052	290,985	–	–	281,052	290,985	6,041	8,446	–	–
Total functions and activities	757,632	721,848	540,554	590,097	217,078	131,751	14,946	16,438	12,190,128	11,994,808

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Globally competitive and innovative city

Activities include economic development, cultural events, tourism as well as other factors contributing to a global city that are not included under other activities, such as lifestyle, cultural diversity, adequate transport and affordable housing.

Leading environmental performer

Activities comprise ecologically sustainable development including environmental projects and program development, cleansing and waste services, drainage and recycling.

Integrated transport for a connected city

Activities comprise advocacy for the State and Federal Governments to invest in a high quality world-class transport system that is well planned, efficient and integrated as an essential cornerstone of sustainable development. Additional services include planning and transport management, road and streetscape maintenance, inspection and parking.

City for walking and cycling

Activities include providing alternative, active and sustainable means of transport to provide a bicycle-friendly environment and a pedestrian plan based on public space life studies. Activities are aimed at improving health and reducing greenhouse emissions and road congestion for the City.

Lively and engaging city centre

Activities include the provision of more safe and attractive public spaces for people to enjoy themselves and to create more activities that enliven the City's streets and public spaces.

Resilient and inclusive local communities

Activities comprise planning activities, economic development, and the provision of parks and recreation areas for both local residents and daily visitors. Responsibilities include community development interaction, building strong and positive relationships and partnerships with community organisations and the provision of community facilities.

Cultural and creative city

Activities comprise the provision of spaces for artists to work and show their wares, the use of public domain to make art more accessible to the public and the recognition and celebration of the traditional and living Aboriginal and Torres Strait Island culture.

Housing for a diverse community

Activities include planning and facilitating partnerships and using planning controls to identify the character of the villages and provide guidance on what developments should look like. Planning controls are also used to guarantee a percentage of affordable housing units in large developments where relevant. Support is also given to State and Federal Government initiatives to expand affordable housing opportunities.

Sustainable development, renewal and design

Activities comprise the use of planning and regulatory powers to set controls and targets for renewal and ensure that residential and commercial development is appropriate to its broader setting.

Implementation through effective governance and partnerships

Activities comprise a commitment to work in partnership with government, business and community and to be open and accountable to the community that is served. The process includes aligning corporate planning and organisational structure through effective governance procedures in support of all activities.

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	66,687	63,490
Business	197,163	204,722
Total ordinary rates	263,850	268,212
Special rates		
Nil		
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	45,787	42,573
Stormwater management services	1,943	1,945
Total annual charges	47,730	44,518
TOTAL RATES AND ANNUAL CHARGES	311,580	312,730

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

Accounting policy for rates and annual charges

The rating period and reporting period for the Council coincide. Accordingly, all rates levied for the year are recognised as revenues. Uncollected rates are recognised as receivables after providing for amounts due from unknown owners, postponed rates and doubtful rates for properties on leased Crown Land in accordance with the requirements of the Local Government Act 1993. A provision for impairment on rates receivables for all other rates has not been established, as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

City of Sydney

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Nil		
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	17,542	16,881
Private works – section 67	6,062	7,313
Health inspections	1,522	1,780
Total fees and charges – statutory/regulatory	25,126	25,974
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Child care	1,927	2,042
Advertising space income	11,846	7,364
Parking meter income	38,448	36,761
Parking station income	10,025	10,009
Recreation facilities hire	4,018	3,646
Venue hire	5,261	4,742
Workzone and filming fees	11,925	9,636
Other	6,735	6,193
Total fees and charges – other	90,185	80,393
TOTAL USER CHARGES AND FEES	115,311	106,368

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided, when the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

City of Sydney

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(c) Interest and investment revenue (including losses)			
Interest			
– Overdue rates and annual charges (incl. special purpose rates)		227	336
– Cash and investments		15,575	16,751
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		(777)	148
– Recovery of prior year losses - Collateralised Debt Obligations (CDOs)		267	45
TOTAL INTEREST AND INVESTMENT REVENUE		15,293	17,280
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		227	336
General Council cash and investments		1,888	4,093
Restricted investments/funds – external:			
Development contributions			
– Section 7.11		3,181	2,571
– Planning agreements/bonus floorspace levy		903	478
Domestic waste management operations		683	576
Stormwater Management Service Charge		11	11
Specific Purpose Unexpended Grants		14	2
Restricted investments/funds – internal:			
Internally restricted assets		8,386	9,213
Total interest and investment revenue recognised		15,293	17,280

Accounting policy for interest and investment revenue

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

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000		2018	2017
(d) Other revenues			
Rental income – investment property	11	19,530	17,809
Rental income – other council properties		54,657	49,662
Ex gratia rates		661	685
Fines – enforcement of regulations		39,446	33,205
Sponsorship and donations		444	1,114
Other		985	901
<u>TOTAL OTHER REVENUE</u>		<u>115,722</u>	<u>103,376</u>

¹ "Other" properties include commercial properties held for strategic rather than investment purposes, and some community facilities that earn income that is incidental to their community function

Accounting policy for other revenue

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

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

Infringement charges are recognised as revenue when the penalty has been applied to the extent of expected recovery determined in accordance with past experience.

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

Payments received in respect of principal and interest repayments under agreements made in accordance with Local Government Amendment (Environmental Upgrade Agreements) Act 2010 are not recognised as revenue.

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	4,395	6,233	–	–
Financial assistance – local roads component	1,291	1,831	–	–
Other				
Pensioners' rates subsidies – general component	355	382	–	–
Total general purpose	6,041	8,446	–	–
Specific purpose				
Child care	1,713	993	–	–
Community and recreation	1,192	1,814	–	–
Environmental protection	292	545	–	–
Library	530	516	–	–
Transport (roads to recovery)	1,421	1,556	–	–
Transport (other roads and bridges funding)	1,115	1,487	2,644	1,082
Total specific purpose	6,262	6,910	2,644	1,082
Total grants	12,303	15,356	2,644	1,082
Grant revenue is attributable to:				
– Commonwealth funding	9,096	11,398	–	–
– State funding	3,207	3,958	2,644	1,082
	12,303	15,356	2,644	1,082
(f) Contributions				
Developer contributions:				
(s7.4 & s7.11 – EP&A Act, s61 of the City of Sydney Act):				
Cash contributions				
S 7.4 – contributions using planning agreements	–	–	34,643	18,694
S 7.11 – contributions towards amenities/services	–	–	39,745	42,323
S 61 – fixed development consent levies	–	–	24,487	18,992
Total developer contributions – cash	–	–	98,875	80,009
Non-cash contributions				
S 7.4 – contributions using planning agreements	–	–	17,164	19,363
S 7.11 – contributions towards amenities/services	–	–	7,032	3,752
Total developer contributions – non-cash	–	–	24,196	23,115
Total developer contributions	–	–	123,071	103,124

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City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions (continued)					
Other contributions:					
Cash contributions					
External contributions to capital projects		–	–	12	3,249
Other		2,415	2,923	–	–
Total other contributions – cash		2,415	2,923	12	3,249
Non-cash contributions					
Dedications		–	–	7,314	11,640
Total other contributions – non-cash		–	–	7,314	11,640
Total other contributions		2,415	2,923	7,326	14,889
Total contributions		2,415	2,923	130,397	118,013
TOTAL GRANTS AND CONTRIBUTIONS		14,718	18,280	133,040	119,095

Accounting policy for contributions

Grants, contributions and donations (in cash or in kind) are recognised as revenues when Council obtains control over the assets comprising the contributions. Control over grants and contributions is normally obtained upon their receipt. When notification has been received that a grant has been secured and Council acts in reliance of that notification, control is deemed at that time.

Revenue from contributions (including developer contributions under Voluntary Planning Agreements) is recognised when the Council either obtains control of the contribution or the right to receive it, (i) it is probable that the economic benefits comprising the contribution will flow to the Council and (ii) the amount of the contribution can be measured reliably. Yet to be received contributions over which Council has control are recognised as receivables. Contributed assets are valued at the asset's fair value 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 in Note 3(g).

Contributions under Section 7.11 of the Environmental Planning and Assessment (EPA) Act 1979

Council has obligations to provide facilities from contributions required from developers under the provisions of s.7.11 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council (or when secured via cash deposit or bank guarantee), due to the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

These contributions may be expended only for the purposes for which the contributions were required, but Council may, within each area of contributions plan category, apply contributions according to the priorities established in the relevant contributions plans and accompanying works schedules.

Contributions plans adopted by Council are available for public inspection free of cost.

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	–	17
Less: operating grants recognised in a previous reporting period now spent		(17)
Unexpended and held as restricted assets (operating grants)	<u>–</u>	<u>–</u>
Capital grants		
Unexpended at the close of the previous reporting period	–	–
Add: capital grants recognised in the current period but not yet spent	1,028	–
Unexpended and held as restricted assets (capital grants)	<u>1,028</u>	<u>–</u>
Contributions		
Unexpended at the close of the previous reporting period	136,743	164,691
Add: contributions recognised in the current period but not yet spent	79,699	82,072
Less: contributions recognised in a previous reporting period now spent	(46,963)	(110,020)
Unexpended and held as restricted assets (contributions)	<u>169,480</u>	<u>136,743</u>

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	180,474	179,187
Travel expenses	229	269
Employee leave entitlements (ELE)	20,359	19,689
Superannuation – defined contribution plans	13,416	11,851
Superannuation – defined benefit plans	5,944	6,472
Workers' compensation insurance	3,708	3,980
Fringe benefit tax (FBT)	903	1,025
Training costs (other than salaries and wages)	1,756	1,704
Other	1,548	1,717
Total employee costs	228,337	225,893
Less: capitalised costs	(6,439)	(6,580)
TOTAL EMPLOYEE COSTS EXPENSED	221,899	219,314
Number of 'full-time equivalent' employees (FTE) at year end	1,794	1,763

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

(b) Borrowing costs

(i) Interest bearing liability costs

Nil

(ii) Other borrowing costs

Nil

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	4,987	5,207
Contractor and consultancy costs		
– Building and facilities management	24,777	23,575
– City infrastructure management	9,058	8,328
– Parks management	16,393	15,631
– Waste disposal, recycling and graffiti removal**	28,373	25,931
– Project costs and minor contracts	26,346	29,665
– Consultancies	3,218	4,003
– Legal expenses: planning and development	477	1,141
– Legal expenses: other	1,010	873
– Operating lease rentals: minimum lease payments ¹	815	851
Asset maintenance and minor purchases	7,656	7,368
Auditors remuneration ²	202	198
Other	2,740	2,720
Total materials and contracts	126,050	125,491
Less: capitalised costs	(434)	(1,256)
TOTAL MATERIALS AND CONTRACTS	125,616	124,235

** Waste collection contract payments include amounts related to the NSW Government s88 Waste Levy. The levy paid by the collection contractor on Council's behalf has been calculated by Council officers, based on quantities of waste sent to landfill. The levy amount is shown as part of "Contributions/levies to other levels of government" at Note 4(e).

Operating leases

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

1. Operating lease payments are attributable to:

Buildings	799	834
Other	15	17
	815	851

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts (continued)		
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council.		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	202	198
Total Auditor-General remuneration	202	198
Total Auditor remuneration	202	198

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		11,753	11,375
Office equipment		2,282	4,909
Furniture and fittings		4,398	4,301
Infrastructure:			
– Buildings – non-specialised		27,317	37,433
– Buildings – specialised		475	766
– Roads		21,514	26,675
– Stormwater drainage		3,168	2,798
– Open space/recreational assets		18,703	17,588
Other assets:			
– Library books		1,266	1,332
– Poles and lighting		5,267	4,940
– Public art / open museum		448	457
Intangible assets - software (amortisation)	12	4,013	–
Total depreciation and amortisation costs		<u>100,605</u>	<u>112,572</u>
Impairment / revaluation decrement of IPP&E			
Nil			
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>100,605</u>	<u>112,572</u>

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment (continued)

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

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

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets 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.

Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

City of Sydney

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(e) Other expenses			
Advertising		2,367	2,361
Bad and doubtful debts		290	140
Bank charges		1,571	1,499
Books and periodicals		145	139
Computing costs		9,263	6,943
Contributions/levies to other levels of government ¹		14,563	13,763
Councillor expenses – Lord Mayoral fee		213	206
Councillor expenses – councillors' fees		390	366
Councillors' expenses (incl. mayor) – other (excluding fees above)		127	159
Donations, contributions and assistance to other organisations (Section 356)		16,967	15,763
Election expenses ²		–	1,086
Event and project costs		13,668	15,684
Insurance		2,747	1,908
Land tax and water rates		1,974	1,863
Management fees		15	41
Other property related expenditure		669	447
Parking enforcement – payment to NSW government		3,121	2,999
Postage and couriers		1,381	1,248
Printing and stationery		1,676	1,751
Public domain enhancement contributions		2,277	54
Research and development		403	558
Security		2,695	1,768
Storage		531	557
Street lighting		4,509	4,394
Telephone and communications		2,440	2,555
Utilities		4,738	4,497
Other		3,693	3,971
OTHER EXPENSES		92,436	86,718
Contribution to Transport for NSW – Light Rail CBD to South East ³		–	47,100
TOTAL OTHER EXPENSES		92,436	133,818

¹ The calculation of the s88 Waste Levy paid to the State Government as part of Council's waste disposal calculations has been revised in 2017/18 to reflect waste diverted from landfill. The balance of waste disposal charges is shown at Note 4c; s88 levy amounts included above: \$2.94M (2017/18) and \$2.89M (2016/17)

² Council's Election was held on Saturday 10 September 2016

³ Under the terms of the Light Rail Development Agreement (the Agreement) between the City of Sydney and the NSW Government, the City will provide a \$220M contribution towards the delivery of the CBD and South East Sydney light rail project. Progress payments are to be made and expenses recognised over a number of financial years, commensurate with agreed project milestones. At 30 June 2018, the required milestones for the 2017/18 installment had not yet been met.

Accounting policy for other expenses

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

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	10		
Proceeds from disposal – property		9,213	–
Less: carrying amount of property assets sold/written off		<u>(3,227)</u>	<u>(187)</u>
Net gain/(loss) on disposal		<u>5,986</u>	<u>(187)</u>
Infrastructure, Plant and equipment	10		
Proceeds from disposal – plant and equipment		455	1,982
Less: carrying amount of plant and equipment assets sold/written off		<u>(2,565)</u>	<u>(1,954)</u>
Net gain/(loss) on disposal		<u>(2,110)</u>	<u>29</u>
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		381,000	652,500
Less: carrying amount of financial assets sold/redeemed/matured		<u>(381,000)</u>	<u>(652,500)</u>
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>3,876</u>	<u>(158)</u>

Accounting policy for disposal of assets

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 derecognised.

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	20,650	4,895
Cash-equivalent assets		
– Deposits at call	35,725	46,963
– Short-term deposits	80,000	–
Total cash and cash equivalents	136,374	51,858

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition'	58,479	173,370	31,990	197,885
b. 'Held to maturity'	200,000	35,000	209,000	25,000
Total investments	258,479	208,370	240,990	222,885
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	394,854	208,370	292,849	222,885
Financial assets at fair value through the profit and loss				
NCD's, FRN's (with maturities > 3 months)	58,479	173,370	31,990	197,885
Total	58,479	173,370	31,990	197,885
Held to maturity investments				
Long term deposits	200,000	35,000	209,000	25,000
Total	200,000	35,000	209,000	25,000

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments (continued)

Accounting policy for investments

Classification

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

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

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

(b) Held to maturity investments

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

(c) Loans and receivables

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

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

(d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

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

Recognition and de-recognition

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

City of Sydney

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

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	<u>394,854</u>	<u>208,370</u>	<u>292,849</u>	<u>222,885</u>
attributable to:				
External restrictions (refer below)	61,459	65,240	50,000	50,683
Internal restrictions (refer below)	166,497	143,130	129,155	172,203
Unrestricted	<u>166,898</u>	<u>–</u>	<u>113,693</u>	<u>–</u>
	<u>394,854</u>	<u>208,370</u>	<u>292,849</u>	<u>222,885</u>

\$ '000	2018	2017
Details of restrictions		
External restrictions – other		
Developer contributions – general	99,667	78,068
Specific purpose unexpended grants	1,028	–
Domestic waste management	25,574	22,121
Stormwater management	431	494
Total external restrictions	<u>126,699</u>	<u>100,683</u>
Internal restrictions		
Affordable and diverse housing fund	8,858	10,358
City centre transformation reserve	104,700	104,700
Commercial property reserve	9,213	–
Community facilities reserve	15,456	15,456
Employees leave entitlement	6,595	6,516
Green infrastructure	23,133	24,584
Green square reserve	86,325	86,325
Infrastructure contingency	2,540	2,801
Performance cash bonds and retentions	25,695	22,430
Public liability insurance	658	457
Renewable energy reserve	9,404	10,495
Workers compensation	17,050	17,237
Total internal restrictions	<u>309,626</u>	<u>301,358</u>
TOTAL RESTRICTIONS	<u>436,326</u>	<u>402,041</u>

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

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

Policy on internal and external restrictions on cash, cash equivalents and investments

Cash, cash equivalents and investments are restricted for prudent financial management purposes as follows:

Employee Leave Entitlements - 10% of the employee leave entitlement provision is set aside to fund extraordinary movements of staff. Normal annual payments of leave entitlements are funded from operating income.

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

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

Domestic Waste - Any cash surplus from operations is held as a restricted asset to fund future capital expenditure or process improvements to the Domestic Waste collection business.

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

Commercial Properties - Funds 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.

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

Developer Contributions - 100% of cash Developer Contributions levied under Section 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.

Stormwater Management - Funds received through the stormwater levy are set aside for various structural and non-structural programs used to reduce urban stormwater pollution. Unspent funds are held as restricted assets.

City Centre Transformation - Monies set aside to meet future contributions to the State Government in respect of the future transformation of George Street into a shared pedestrian zone incorporating light rail.

Green Infrastructure - Monies set aside for implementing green infrastructure projects including co/trigeneration plants, water recycling and evacuated waste systems to deliver enhanced environmental benefits to the organisation and community.

Green Square - Monies set aside in anticipation of Green Square infrastructure not funded by developer contributions or grant funding.

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

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.

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

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

Public Roads - In accordance with Section 43 (4) of the Roads Act (NSW) 1993, proceeds from the sale of (former) public road are set aside for the acquisition of land for public roads, and/or carrying out works on public roads.

Affordable and Diverse Housing - Income receipts dedicated by Council for the purposes of contributing towards the delivery of affordable and/or diverse housing are set aside for future projects and initiatives as endorsed by Council.

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		4,072	–	3,729	–
Interest and extra charges		109	–	176	–
User charges and fees		4,198	–	5,831	–
Accrued revenues					
– Interest on investments		3,177	–	3,181	–
– Other income accruals		17,410	–	34,445	–
Net GST receivable		2,565	–	8,579	–
Rental debtors		6,530	–	7,327	–
Outstanding works in kind contributions		15,814	53,998	14,309	44,367
Total		53,876	53,998	77,577	44,367
Less: provision for impairment					
Rental debtors and User charges & fees		(1,430)	–	(1,153)	–
Total provision for impairment – receivables		(1,430)	–	(1,153)	–
<u>TOTAL NET RECEIVABLES</u>		<u>52,446</u>	<u>53,998</u>	<u>76,424</u>	<u>44,367</u>
Externally restricted receivables					
Domestic waste management		625	–	625	–
Domestic waste management - extra charges		21	–	25	–
Other					
– Works receivable (developer contributions)		15,814	53,998	14,309	44,367
Total external restrictions		16,460	53,998	14,959	44,367
Internally restricted receivables		–	–	–	–
Unrestricted receivables		35,986	–	61,464	–
TOTAL NET RECEIVABLES		52,446	53,998	76,424	44,367
Movement in provision for impairment of receivables					
Balance at the beginning of the year				2018	2017
				1,153	1,224
+ new provisions recognised during the year				638	761
– amounts already provided for and written off this year				(4)	(210)
– amounts provided for but recovered during the year				(191)	(90)
– previous impairment losses reversed				(167)	(533)
Balance at the end of the year				1,430	1,153

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in and receivables (Note 7) in the Statement of Financial Position. 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.

Non-current receivables represent unconditional future entitlements to works in kind contributions related to developments for which construction certificates have been issued and are only recognised once secured by bank guarantees, security deposits or other similar forms of security.

Impairment

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

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

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

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		549	–	822	–
<u>TOTAL INVENTORIES</u>		<u>549</u>	<u>–</u>	<u>822</u>	<u>–</u>
(b) Other assets					
Prepayments		3,986	–	3,219	–
Future benefits – shared services relating to Sutherland animal shelter		14	154	14	168
<u>TOTAL OTHER ASSETS</u>		<u>4,000</u>	<u>154</u>	<u>3,234</u>	<u>168</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

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

Council holds inventories for consumption for the purpose of providing works and services. There is no objective of sale for such items. Council values these items at cost, assessed for loss of service potential. Where appropriate, Council writes the value down accordingly.

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
(i) Non-current assets				
Non-current assets 'held for sale'				
Land	65,046	–	–	–
Buildings	912	–	–	–
Total non-current assets 'held for sale'	65,958	–	–	–

(ii) Details of assets

The assets held for sale at 30 June 2018 comprise four surplus properties that have been endorsed for sale by Council. Three of these sites have received Council endorsement to accept the sale price offered, and are awaiting final settlement (during the 2018/19 financial year) and the remaining sale is expected to be endorsed and settled within the 2018/19 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 continuing 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 property 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.

City of Sydney

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

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

Asset class	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018				
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers ²	Tfrs from/(to) 'held for sale' category ³	Tfrs from/(to) investment property ⁴	Revaluation reserve adjustments (to Asset Reval Rsve) ⁵	At cost	Gross carrying amount	Accumulated depreciation	Net carrying amount	
\$ '000																	
Capital work in progress (WIP) ¹	321,945	–	321,945	38,805	104,291	–	–	(117,067)	(15,020)	–	(2,500)	–	–	330,454	–	330,454	
Plant and equipment	85,109	46,456	38,653	5,353	28	(190)	(11,753)	2,814	–	–	–	–	–	87,490	52,586	34,904	
Office equipment	28,433	21,188	7,245	2,099	–	–	(2,282)	230	(2,691)	–	–	–	–	22,223	17,622	4,601	
Furniture and fittings	63,806	42,076	21,730	776	–	–	(4,398)	9	–	–	–	–	–	41,338	23,221	18,117	
Land:																	
– Operational land	1,512,282	–	1,512,282	–	28,362	(275)	–	4,185	(2,254)	(65,046)	(20,309)	(4,380)	–	1,452,565	–	1,452,565	
– Community land	6,240,994	–	6,240,994	–	3,314	(1,021)	–	–	(16,205)	–	–	–	–	6,227,081	–	6,227,081	
– Land under roads (post 30/6/08)	62,052	–	62,052	–	3,893	–	–	–	–	–	–	–	–	65,944	–	65,944	
Other structures – trees	115,505	–	115,505	–	134	–	–	723	–	–	–	–	–	116,362	–	116,362	
Other structures – poles and lights	102,472	44,499	57,973	–	566	–	(5,267)	3,388	–	–	–	–	–	106,426	49,766	56,659	
Other structures – signs	14,501	–	14,501	–	151	–	–	2,411	–	–	–	–	–	17,064	–	17,064	
Infrastructure:																	
– Buildings – non-specialised	1,631,467	297,378	1,334,089	394	5,829	(3,227)	(27,317)	57,575	(18)	(912)	(4,935)	–	–	1,671,941	310,461	1,361,480	
– Buildings – specialised	43,224	12,176	31,048	10	–	–	(475)	95	–	–	–	–	–	43,329	12,651	30,679	
– Roads, Bridges, Footways, Kerbs	1,595,293	718,677	876,616	269	3,023	(1,079)	(21,514)	17,525	–	–	–	–	–	1,611,532	736,692	874,840	
– Stormwater drainage	304,776	106,593	198,184	–	2,288	–	(3,168)	7,954	–	–	–	–	–	315,019	109,761	205,258	
– Open space/recreational assets	448,097	238,963	209,134	1	1,248	–	(18,703)	19,167	18	–	–	–	–	468,548	257,683	210,864	
Other assets:																	
– Heritage collections	7,031	–	7,031	–	75	–	–	–	–	–	–	–	–	7,105	–	7,105	
– Library books	9,442	6,988	2,454	–	1,870	–	(1,266)	–	–	–	–	–	–	10,301	7,243	3,058	
– City art	42,377	7,918	34,458	63	–	–	(448)	991	–	–	–	–	–	43,430	8,367	35,063	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	12,628,806	1,542,911	11,085,895	47,768	155,073	(5,792)	(96,592)	–	(36,170)	(65,958)	(27,744)	(4,380)	–	12,638,154	1,586,053	11,052,101	

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

¹ Additions to Capital WIP included renewal works (\$38.8M), upgrade works (\$26.6M) and new/expansion works (\$77.7M). Upgrade and new/expansion works have been combined in the above. Transfers of completed Capital WIP to Council's asset register included renewal works (\$51.8M), upgrade works (\$30.8M) and new/expansion works (\$52.0M)

² Amounts were transferred from Capital WIP and the Office Equipment to the Intangible Assets class (refer note 12). Recognition of Council-developed software as Intangible Assets represents a change in accounting policy, effective 1 July 2017. Asset records were updated in respect of Council owned and controlled land holdings. As a result, certain parcels of land were transferred between classes to reflect the correct land classification. Accordingly, historical revaluation entries were adjusted to reflect the corrected classification (and methodology). These adjustments are considered to be corrections of prior period errors, but were not considered sufficiently material to re-state prior years' financial statements

³ Refer to Note 9 for further information related to assets held for sale

⁴ Two property holdings were reclassified to Investment Properties, reflecting future strategic intention to realise a commercial gain from the assets

⁵ An amount related to a prior year revaluation was reversed in 2017/18. The amount was not considered sufficiently material to restate the prior year statements

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Updated valuations are performed at least 5 yearly, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value. Information related to fair valuation of assets is shown at Note 23.

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

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

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

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

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

City of Sydney

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

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

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

Land under roads

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

Council has elected 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 a number of assets not under the legal ownership of Council (current value \$4,847M). Ownership of these assets remains with the government and/or 3rd party entities, while Council continues to retain both operational control of the assets and responsibility for the maintenance of improvements thereon. Council includes these land assets in the Statement of Financial Position, as well as the cost of any Council funded related improvements, on the basis of its financial rights and responsibilities in controlling and maintaining the assets. Revocation of such control by the State Government is regarded as extremely unlikely given the history of Crown Reserves, and Council's history of operational care and control over the assets. Commonwealth Government owned assets are subject to return at the end of long-term lease periods.

In the case of Crown Reserve lands, Reserve Trusts were created for administrative purposes under section 92 of the Crown Lands Act 1989 ("the Act") for a large proportion of these Crown Reserves. Prior to the enactment of the Act, Council was Reserve Trustee of these assets and upon enactment, section 5A of the Schedule 8 (Savings, transitional and other provisions) of the Act has appointed Council Reserve Trust Manager of the related Reserve Trusts created under section 92.

City of Sydney

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

Note 11. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>344,000</u>	<u>268,165</u>
Reconciliation of annual movement:		
Opening balance	268,165	223,275
– Capitalised expenditure – this year (Note 10)	2,500	169
– Transfers from/(to) owner occupied (Note 10)	25,244	–
– Net gain/(loss) from fair value adjustments	48,091	44,721
CLOSING BALANCE – INVESTMENT PROPERTY	<u>344,000</u>	<u>268,165</u>
(b) Valuation basis		
The basis of valuation of investment property is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.		
The 2018 revaluations were based on independent assessments made by: AON Valuation Services (A division of AON Risk Services Australia Limited) Certifying Valuer : Jeffrey Millar, AAPI		
(c) Contractual obligations at reporting date		
Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.		
(d) Leasing arrangements – Council as lessor		
The investment property are leased to tenants under long-term operating leases with rentals payable monthly.		
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:		
Within 1 year	20,129	12,319
Later than 1 year but less than 5 years	27,594	27,434
Later than 5 years	–	7,511
Total minimum lease payments receivable	<u>47,723</u>	<u>47,264</u>
(e) Investment property income and expenditure – summary		
Rental income from investment property:		
– Minimum lease payments	19,530	17,809
Direct operating expenses on investment property	(3,806)	(3,281)
Net revenue contribution from investment property	<u>15,724</u>	<u>14,528</u>
plus:		
Fair value movement for year	<u>48,091</u>	<u>44,721</u>
Total income attributable to investment property	<u>63,815</u>	<u>59,249</u>

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the income statement as part of other income.

City of Sydney

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

Note 12. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values¹:		
Gross book value (1/7)	7,700	–
Accumulated amortisation (1/7)	(5,009)	–
Net book value – opening balance	2,691	–
Movements for the year		
– Development costs	15,020	–
– Amortisation charges	(4,013)	–
Closing values:		
Gross book value (30/6)	22,720	–
Accumulated amortisation (30/6)	(9,022)	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ²	<u>13,698</u>	<u>–</u>

¹ Refer Note 10a: software assets held at 1 July 2017 transferred to Intangible Assets class from "Office Equipment"
The carrying value of these assets at 30 June 2017 was as shown in the Opening Balance above (i.e. \$2.69M)

² The net book value of intangible assets represent:

– Software	13,698	–
	13,698	–

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.

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

City of Sydney

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

Note 13. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Creditors - Goods and services	15,258	–	16,382	–
Accrued expenses:				
– Interest on bonds and deposits	5	–	5	–
– Other expenditure accruals	28,836	–	38,269	–
Performance cash bonds, deposits and retentions	25,695	–	22,425	–
Accrued employee costs	6,231	–	6,083	–
Other	1,748	–	449	–
Total payables	77,774	–	83,612	–
Income received in advance				
Payments received in advance	16,322	–	9,444	–
Total income received in advance	16,322	–	9,444	–
Borrowings				
Nil				
TOTAL PAYABLES AND BORROWINGS	94,097	–	93,056	–

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	2,399	–	2,002	–
Payables and borrowings relating to externally restricted assets	2,399	–	2,002	–
Internally restricted assets				
Performance cash bonds, deposits and retentions	25,695	–	22,425	–
Payables and borrowings relating to internally restricted assets	25,695	–	22,425	–
Total payables and borrowings relating to restricted assets	28,094	–	24,427	–
Total payables and borrowings relating to unrestricted assets	66,002	–	68,630	–
TOTAL PAYABLES AND BORROWINGS	94,097	–	93,056	–

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Payables and borrowings (continued)

\$ '000	2018	2017
(b) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	13,216	7,706
	<u>13,216</u>	<u>7,706</u>
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Credit cards/purchase cards	300	300
Total financing arrangements	<u>300</u>	<u>300</u>

Accounting policy for payables and borrowings**Payables**

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

Borrowings

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

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

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

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

City of Sydney

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

Note 14. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	14,043	–	13,678	–
Sick leave	4,311	3,453	4,534	4,016
Long service leave	41,068	2,980	39,741	3,029
Gratuities	93	4	101	56
Public holidays	329	–	321	–
Sub-total – aggregate employee benefits	59,843	6,437	58,375	7,102
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	4,000	–	4,000
Sub-total – asset remediation/restoration	–	4,000	–	4,000
Other provisions:				
Self insurance – workers compensation	2,527	8,839	3,547	7,944
Self insurance – public liability	433	225	318	139
Superannuation	–	2,607	–	2,561
Other	6,139	–	7,024	–
Sub-total – other provisions	9,099	11,671	10,889	10,643
<u>TOTAL PROVISIONS</u>	<u>68,942</u>	<u>22,108</u>	<u>69,264</u>	<u>21,745</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Internally restricted assets				
Self insurance – workers compensation	2,527	8,839	3,547	7,944
Self insurance – public liability	433	225	318	139
Provisions relating to internally restricted assets	2,960	9,064	3,865	8,083
Total provisions relating to restricted assets	2,960	9,064	3,865	8,083
Total provisions relating to unrestricted assets	65,982	13,045	65,399	13,663
<u>TOTAL PROVISIONS</u>	<u>68,942</u>	<u>22,108</u>	<u>69,264</u>	<u>21,745</u>

\$ '000	2018	2017
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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	39,053	37,566
	39,053	37,566

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

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

2017	Employee Leave Entitlement provisions					Total
	Annual leave	Sick leave	Long service leave	Gratuities	Public Holidays	
At beginning of year	13,177	9,262	42,338	405	266	65,448
Additional provisions	13,056	1,168	8,216	–	54	22,493
Amounts used (payments)	(12,555)	(1,751)	(6,585)	(248)	–	(21,139)
Remeasurement effects	–	(128)	(1,198)	–	–	(1,326)
Total Employee Leave Entitlement provisions at end of year	13,678	8,551	42,771	157	321	65,477

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

2017	Other provisions					Total
	Workers Compensation	Public liability	Super-annuation	Asset remediation	Other	
At beginning of year	11,590	810	2,958	4,000	1,238	20,596
Additional provisions	3,885	–	–	–	5,786	9,671
Amounts used (payments)	(3,984)	(353)	(398)	–	–	(4,735)
Total other provisions at end of year	11,491	457	2,561	4,000	7,024	25,532

City of Sydney

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

Note 14. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Other

Other provisions represent amounts accrued and payable in respect of State taxes on commercial leases on Crown lands controlled by the City, and for 30 June 2017 include 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 y

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.

City of Sydney

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

Note 14. Provisions (continued)

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.

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

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

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Self-insurance

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

City of Sydney

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

Note 14. Provisions (continued)

Defined Benefit Plans - additional disclosures

A) Multi-Employer Pooled Fund

Council participates in an employer sponsored Defined Benefit Superannuation Scheme that is a multi-employer plan.

(a) *Funding arrangements, including methodology to determine rate of contributions and any minimum funding requirements.*

Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% of salary
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accumulated liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

(b) *Extent to which Council may be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.*

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

(c) *Description of any agreed allocation of a deficit or surplus on:*

(i) *wind-up of the plan*

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

(ii) *entity's withdrawal from the plan*

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

(d) *Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan:*

(i) *the fact that the plan is a defined benefit plan.*

Council confirms that the plan is a defined benefit plan.

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions (continued)

Defined Benefit Plans - additional disclosures (continued)

(d) Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan (continued):

(ii) why sufficient information is not available to enable Council to account for the plan as a defined benefit plan.

- 1 Assets are not segregated within the sub-group according to the employees of each sponsoring employer;
- 2 The contribution rates have been the same for all sponsoring employers and have not varied for each employer according to the experience relating to the employees of that employer;
- 3 Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
- 4 The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors set out above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by the members). As such there is insufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would be for a single employer sponsored defined benefit plan.

(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 \$3.755M.

(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 2017 is:

<i>Employer reserves only (excluding member accounts and reserves in both assets and liabilities)</i>	<i>\$M</i>	<i>Asset Coverage</i>
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

Investment return	6.0% p.a.
Salary inflation (plus promotional increases)	3.5% p.a.
Increase in CPI	2.5% p.a.

Council's additional contribution requirements are estimated to remain in place to 30 June 2021. However, the Trustee is considering extending the additional contribution period in order to build up a satisfactory surplus, allow the Fund to transition to a less risky investment portfolio resulting in a lower assumed long-term investment return.

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers.

City of Sydney

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

Note 14. Provisions (continued)

Defined Benefit Plans - additional disclosures (continued)

(d) *Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan (continued):*

(v) *an indication of the level of Council's participation in the plan compared with other participating entities.*

Council's participation in the Scheme compared with other entities is about 4.71% based on the Council's current level of annual additional contributions of \$3.755M against total contributions of \$40.0M. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ending 30 June 2017.

B) Defined Benefit Pooled Fund

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

Nature of the benefits provided by the fund.

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

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

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

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

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. 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/or decrements) of non-current asset values due to their revaluation.

Other reserves

The Trust Assets Revaluation Reserve represents the total fair value of trust land assets (such as Crown Reserve Trusts) that have come under the management control of Council at no acquisition cost and which have subsequently been revalued to fair value. 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

Nature of prior-period error

Council has corrected the valuation basis of Land Under Roads in 2018 to reflect the requirements of AASB 13 in respect of *restrictions* relating to the land. The valuation basis was changed from an adjacent land calculation in prior years to an *englobo* methodology that applies a 90% discount to the average value of unimproved land in the Local Government Area (based on Valuer-General valuations). The Land Under Roads subject to recognition were acquired post 30 June 2008.

A discount of 90% was applied to reflect the restriction placed on land under roads to comply with AASB13: Fair Value Measurement. The updated valuation has resulted in a material adjustment to the carrying value of the Land Under Roads asset class, and a decrease to Council's revaluation reserves and accumulated surplus. The Land Under Roads asset class was adjusted downwards by \$92.2M (previously \$158.1M at 30 June 2018, now \$65.9M). The adjustment represented less than 1% of the carrying value of Council's Infrastructure, Property, Plant & Equipment.

The error has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2016) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables that follow.

City of Sydney

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

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

\$ '000

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

Changes to the opening Statement of Financial Position at 1 July 2016

	Original Balance 1 July, 2016	Impact Increase/ (decrease)	Restated Balance 1 July, 2016
Statement of Financial Position			
Infrastructure, property, plant and equipment	9,578,819	(79,907)	9,498,912
- Land Under Roads (post 30/06/2008)	140,973	(81,491)	59,482
- Community Land	6,230,339	1,585	6,231,923
Total Assets	10,470,871	(79,907)	10,390,964
Total Liabilities	175,930	-	175,930
Accumulated surplus	3,524,402	(51,901)	3,472,501
Revaluation reserves	3,213,506	(28,005)	3,185,501
Total equity	10,294,941	(79,907)	10,215,033

Adjustments to the comparative figures for the year ended 30 June 2017

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Statement of Financial Position			
Infrastructure, property, plant and equipment	11,178,049	(92,154)	11,085,895
- Land Under Roads (post 30/06/2008)	155,790	(93,739)	62,052
- Community Land	6,239,409	1,585	6,240,994
Total assets	12,086,962	(92,154)	11,994,808
Total liabilities	184,065	-	184,065
Accumulated surplus	3,668,400	(64,148)	3,604,252
Revaluation reserves	4,677,465	(28,005)	4,649,460
Total equity	11,902,897	(92,154)	11,810,743
Income Statement			
Grants and contributions provided for capital purposes	119,144	(49)	119,095
Total income from continuing operations	721,897	(49)	721,848
Materials and contracts	112,036	12,198	124,235
Total expenses from continuing operations	577,898	12,198	590,097
Net operating result for the year	143,999	(12,247)	131,751
Statement of Comprehensive Income			
Net operating result for the year	143,999	(12,247)	131,751
Total comprehensive income for the year	1,607,957	(12,247)	1,595,710

City of Sydney

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

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

(c) Voluntary changes in accounting policies

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

(d) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

City of Sydney

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

Note 16. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	136,374	51,858
Balance as per the Statement of Cash Flows		136,374	51,858
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		217,077	131,751
Depreciation and amortisation		100,605	112,572
Net losses/(gains) on disposal of assets		(3,876)	158
Non-cash capital grants and contributions		(31,510)	(34,804)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		509	(193)
– investment property		(48,091)	(44,721)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(4,875)	(26,562)
Increase/(decrease) in provision for doubtful debts		277	(79)
Decrease/(increase) in inventories		273	187
Decrease/(increase) in other assets		(753)	609
Increase/(decrease) in payables		(1,124)	(6,938)
Increase/(decrease) in other accrued expenses payable		2,773	(1,762)
Increase/(decrease) in other liabilities		11,596	10,337
Increase/(decrease) in employee leave entitlements		804	(25)
Increase/(decrease) in other provisions		(762)	4,990
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		242,923	145,520
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		31,510	34,804
Total non-cash investing and financing activities		31,510	34,804

City of Sydney

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

Note 17. Interests in other entities

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

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	96,832	60,989
Infrastructure - Roads, Bridges, Footways, Kerb and Gutter	34,836	32,665
Open Space	11,583	18,612
Plant and equipment	3,239	5,422
Public Art	5,142	5,406
Stormwater Drainage	17,168	721
Other	12,294	4,234
Total commitments	181,093	128,048
These expenditures are payable as follows:		
Within the next year	128,590	101,027
Later than one year and not later than 5 years	51,026	25,985
Later than 5 years	1,477	1,036
Total payable	181,093	128,048
Sources for funding of capital commitments:		
Unrestricted general funds	181,093	128,048
Total sources of funding	181,093	128,048

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.

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Commitments for expenditure (continued)

\$ '000	2018	2017
(b) Finance lease commitments		
Nil		
(c) Operating lease commitments (non-cancellable)		
i. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	1,298	1,121
Later than one year and not later than 5 years	4,295	4,148
Later than 5 years	27,255	28,004
Total non-cancellable operating lease commitments	32,848	33,273

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

Operating lease commitments arise as a result of Council's commitment under a non-cancellable operating lease, being in relation to Goulburn Street Parking Station. Council has a 99 year lease arrangement to rent the airspace that the parking station exists in from the RailCorp Property who control that asset. The commitment recognises the 42 years remaining on the lease, which is estimated at \$26.9M.

The lease commitments also include duct rental payable to Energy Australia in respect of Smartpoles (currently at \$380K 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 \$5.3M.

Conditions relating to operating leases:

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

(d) Investment property commitments

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

Contractual obligations – repairs and maintenance	1,233	1,095
Total commitments	1,233	1,095
These expenditures are payable as follows:		
Within the next year	1,233	1,095
Total payable	1,233	1,095

City of Sydney

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

Note 19. Contingencies and other liabilities/assets not recognised

1. Potential benefits to Council

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

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

2. Potential claims

(i) A small number of contract disputes are currently underway between Council and construction contractors. The matters have not progressed to formal legal proceedings at balance date, and it is anticipated that the matters will be resolved with the respective contractors without formal proceedings.

3. Self insurance – Workers Compensation

Council has decided, on the basis of proper risk management practices, to carry its own insurance in regard to worker's compensation. A provision for self insurance has been made to recognise outstanding claims, the amount of which is detailed in Note 14.

As a self-insurer, Council is required to lodge a bank guarantee with the State Insurance Regulatory Authority (SIRA). At 30 June 2018, bank guarantees of \$12.849M were held by the SIRA, and the Authority is currently reviewing whether any additional assurance is required.

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

4. Infringement Notices/Fines

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

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

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

City of Sydney

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

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

5. Recovery Claim - Investment Losses

Council is party to a class action against a ratings agency, for losses suffered as a result of reliance upon that agency's credit rating for a structured investment product. The matter is awaiting mediation at 30 June 2018.

6. Proposed Land Transfers between NSW Government Authorities and Council

Council has previously agreed to proceed with a transfer of public assets from NSW Government State Agencies. The completion of these transfers is subject to the fulfilment of specific conditions. The value of these assets cannot be quantified at this time, as they are subject to assessment of age and condition at the time of transfer.

7. Superannuation – Defined Benefits Schemes

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefit, as defined in the Trust Deed, as they accrue.

Council has an ongoing obligation to share in the future rights and liabilities of the Scheme. Favourable or unfavourable variations may arise should the financial requirements of the Scheme differ from the assumptions made by the Scheme's actuary in estimating the accrued benefits liability.

8. Developer Contributions Plans and Planning Agreements

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

As part of these Plans and VPAs, Council has received funds which are required to be expended only for the purposes for which they were levied (per the respective plans and VPAs). These Plans also indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or, where a shortfall exists, by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in those Plans.

Planning Agreements may also make provision for the future delivery of assets to Council for dedication as community assets. The delivery of these assets remains contingent upon the developers actioning consent and they are not raised as receivable assets until all contingencies expire.

City of Sydney

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

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

9. Heritage Floor Space - Council Properties

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

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

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

10. Alternative Heritage Floor Space Allocation Scheme

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

At balance date, bank guarantees were held by Council for 11 development sites (totalling \$51.2M). 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. The City has received payment for one development where HFS was not secured (\$4.6M)

11. Potential Rates Claims

A recent judgement in favour of a developer allowed land to be categorised as residential (for rating purposes) from the time demolition of existing buildings and construction of residential flat buildings commenced, rather than as commercial. Prior to this ruling, land remained categorised as commercial until an occupation certificate was issued for a development. The rate in the dollar (or ad valorem rate) - which is the basis of a rates charge - is substantially lower for land categorised as residential.

Based on this ruling, Council has been required to refund rates levied at the higher rate on a number of developments. Council has examined the ruling, considering the wider ramifications for rating and has appealed the decision to the Court of Appeal.

12. Litigation - Compulsory Acquisition of Council-owned land

Council has commenced proceedings in the Land and Environment Court, disputing the amount of compensation offered in relation to one parcel of land compulsorily acquired. The loss of the lands has direct financial implications, as does the disruption to future works and service provision caused by their loss.

City of Sydney

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

Note 20. Financial risk management

\$ '000

Risk management

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

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

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

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

Fair value is determined as follows:

- **Cash** and **cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity *	Profit	Equity *
2018				
Possible impact of a 10% movement in market values	23,085	23,085	(23,085)	(23,085)
Possible impact of a 1% movement in interest rates	6,004	6,004	(6,004)	(6,004)
2017				
Possible impact of a 10% movement in market values	22,988	22,988	(22,988)	(22,988)
Possible impact of a 1% movement in interest rates	5,091	5,091	(5,091)	(5,091)

* Note: as Council did not hold any financial instruments as "Available for Sale" for the years shown, the impact on equity for any market value or interest rate fluctuations is limited to that recognised through profit and loss

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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.

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

(i) Ageing of receivables – %

	2018	2017		2018	2017
Rates and annual charges			Other Receivables		
Current (not yet overdue)	0%	0%	Current (not yet overdue)	97%	98%
Overdue	100%	100%	Overdue	3%	2%
	<u>100%</u>	<u>100%</u>		<u>100%</u>	<u>100%</u>

(ii) Ageing of receivables – value

	2018	2017		2018	2017
Rates and annual charges			Other Receivables		
Current	-	-	Current	100,284	115,129
< 1 year overdue	3,968	3,359	0 – 30 days overdue	268	588
1 – 2 years overdue	76	163	31 – 60 days overdue	387	980
2 – 5 years overdue	66	163	61 – 90 days overdue	-	-
> 5 years overdue	71	219	> 91 days overdue	2,754	1,342
	<u>4,181</u>	<u>3,904</u>		<u>103,693</u>	<u>118,039</u>

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
		≤ 1 Year	1 – 5 Years	> 5 Years		
2018						
Trade/other payables	25,700	52,074	-	-	77,774	77,774
Total financial liabilities	25,700	52,074	-	-	77,774	77,774
2017						
Trade/other payables	22,430	61,183	-	-	83,612	83,612
Total financial liabilities	22,430	61,183	-	-	83,612	83,612

The above payables are not subject to interest rates

Council had no borrowings at either balance date, nor at any time for the reporting periods shown

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2017 and is not required to be audited.

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

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

Note that for variations of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 Variance	-----	-----
REVENUES					
Interest and investment revenue	13,510	15,293	1,783	13%	F
Cash balances, whilst declining due to increased capital expenditure, were higher than anticipated over the year which has had a positive effect on the interest earned. In addition, Council was scheduled to make \$63.6M payment to the NSW Government's Light Rail Project. This payment was delayed until August 2018 following confirmation by an independent certifier that agreed milestones set out in a deed of agreement between the City of Sydney and State Government were met. Interest was earned on the \$63.6M over that 6 month period. Council also continued to out perform both the industry and its enhanced investment performance benchmarks. This was in part due to the acquisition of investments with locked in higher yields, over the last two or three years. This situation is expected to gradually decline over the next 2 to 3 years as these investments steadily mature.					
Operating grants and contributions	12,664	14,718	2,054	16%	F
The City receives a grant from the Federal Government for road improvement and maintenance programs. Following a review of projects funded by this grant there was a change in accounting treatment of Federal grants for roads to recovery from capital revenue to operating to reflect the ongoing maintenance nature of the works delivered.					
Capital grants and contributions	83,296	133,040	49,745	60%	F
Developer and Planning Agreement contributions are driven by economic conditions. Council budgets conservatively for developer contributions, in order to avoid over-reliance on anticipated capital income. During the financial year, development activity in the LGA continued to be significantly higher than anticipated. The major development sites were in the Green Square urban renewal, Rosebery, South Sydney and CBD areas.					
Net gains from disposal of assets	–	3,876	3,876	0%	F
Council takes the conservative position to not budget for a gain or loss on sale of assets.					
Fair value increment on investment property	–	48,091	48,091	0%	F
Due to the unpredictability of this adjustment, and its non-cash impact, Council does not budget for a gain on fair valuation.					

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Material budget variations (continued)

F = Favourable budget variation, U = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance -----	
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EXPENSES

Materials and contracts	104,124	125,616	(21,491)	(21%)	U
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Council's adopted budget included approximately \$18.6M for waste collection within Other Expenses. Subsequent to the adoption of the budget, the waste collection portion of contract cost was separated from the s88 Waste Levy paid to the NSW Government. This allowed the re-classification of the collection costs to Material and Contracts with the balance (approx \$2.9M) retained in Other Expenses - Contributions/levies to other levels of Government. Prior year comparatives were also reclassified. In addition the variance was impacted by projects costs associated with the delivery of the City's significant capital works program but not adding to the enduring benefit of the asset being costed to operating expenses. This expenditure which is often related to initial options reviews and/or the demolition and removal of superseded assets was significantly higher than anticipated in the budget. Expenditure was incurred against projects including public domain, green infrastructure and information technology projects

Depreciation and amortisation	112,958	100,605	12,354	11%	F
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Changes to the componentisation of buildings and roads infrastructure to better reflect the life of the assets has reduced depreciation expense

Other expenses	114,140	92,436	21,704	19%	F
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Refer to Materials and Contracts commentary above; approximately \$15.9M relating to waste collection services was reclassified from Other Expenses to Materials and Contracts, subsequent to the adoption of Council's budget in 2017. This resulted in a favourable budget variance. Comparative figures were also reclassified. The Council include \$4.5M in the budget to cover for unforeseen new initiatives and costs. Only \$0.5M was required in 2017/18.

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	147,362	242,923	95,560	64.8%	F
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The main sources of variation to budget were lower than anticipated cash receipts related to Rates and Annual Charges (approx \$14M unfavourable), additional User Fees and Charges (approx \$21M favourable), additional Capital Grants and Contributions (approx \$40M favourable), additional Material and Contract expenses (\$32M unfavourable), and significantly lower Other Payments for Operating Activities (favourable by \$97M) primarily driven by the delayed contribution by the City to the NSW Government's Light Rail project

City of Sydney

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

Note 22. Discontinued operations

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

City of Sydney

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

Note 23. Fair value measurement

\$ '000

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

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

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

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

Those assets classified as held for sale at 30 June 2018 represent property sales where a financial offer has been accepted, and is awaiting settlement in the next 12 months. The assets were transferred from the Operational Land and Buildings classes, having been revalued at 30 June 2017 (Level 2 Fair Value)

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).

City of Sydney

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

Note 23. Fair value measurement (continued)

\$ '000

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Designated at fair value on initial recognition’	30/06/18	–	–	231,849	231,849
Total financial assets		–	–	231,849	231,849
Investment property					
Investment property portfolio	30/06/18	–	344,000	–	344,000
Total investment property		–	344,000	–	344,000
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	–	34,904	34,904
Office equipment	30/06/18	–	–	4,601	4,601
Furniture and fittings	30/06/18	–	–	18,117	18,117
Operational land	30/06/17	–	1,452,565	–	1,452,565
Community land	30/06/16	–	–	6,227,081	6,227,081
Land under roads (post 30/6/2008)	30/06/17	–	–	65,944	65,944
Open space/Recreational assets	30/06/16	–	–	210,864	210,864
Buildings - non specialised	30/06/17	–	417,571	943,909	1,361,480
Buildings - specialised	30/06/17	–	–	30,679	30,679
Other Structures - trees	30/06/17	–	–	116,362	116,362
Other Structures - signs	30/06/17	–	–	17,064	17,064
Other Structures - poles & lights	30/06/17	–	–	56,659	56,659
Roads, bridges, footpaths, kerbs	30/06/17	–	–	874,840	874,840
Stormwater drainage	30/06/17	–	–	205,258	205,258
Heritage collections	30/06/16	–	–	7,105	7,105
Library books	30/06/16	–	–	3,058	3,058
City art	30/06/16	–	–	35,063	35,063
Total infrastructure, property, plant and equipment		–	1,870,136	8,851,511	10,721,647
Non-current assets classified as ‘held for sale’					
Land	30/06/17	–	65,046	–	65,046
Buildings	30/06/17	–	868	44	912
Total NCA’s classified as ‘held for sale’		–	65,914	44	65,958

City of Sydney

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

Note 23. Fair value measurement (continued)

\$ '000

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Designated at fair value on initial recognition'	30/06/17	–	–	229,876	229,876
Total financial assets		–	–	229,876	229,876
Investment property					
Investment property portfolio	30/06/17	–	268,165	–	268,165
Total investment property		–	268,165	–	268,165
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/13	–	–	38,653	38,653
Office equipment	30/06/13	–	–	7,245	7,245
Furniture and fittings	30/06/13	–	–	21,730	21,730
Operational land	30/06/17	–	1,512,282	–	1,512,282
Community land	30/06/16	–	–	6,240,994	6,240,994
Land under roads (post 30/6/2008)	30/06/17	–	–	62,052	62,052
Open space/Recreational assets	30/06/16	–	–	209,134	209,134
Buildings - non specialised	30/06/17	–	427,698	906,391	1,334,089
Buildings - specialised	30/06/17	–	–	31,048	31,048
Other Structures - trees	30/06/17	–	–	115,505	115,505
Other Structures - signs	30/06/17	–	–	14,501	14,501
Other Structures - poles & lights	30/06/17	–	–	57,973	57,973
Roads, bridges, footpaths, kerbs	30/06/17	–	–	876,616	876,616
Stormwater drainage	30/06/17	–	–	198,184	198,184
Heritage collections	30/06/16	–	–	7,031	7,031
Library books	30/06/16	–	–	2,454	2,454
City art	30/06/16	–	–	34,458	34,458
Total infrastructure, property, plant and equipment		–	1,939,980	8,823,970	10,763,950

City of Sydney

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

Note 23. Fair value measurement (continued)

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

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

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

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Financial assets

Council receives indicative market valuation advice from an independent external investment advisor. These indicative valuations are 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)

Asset classes : Plant & Equipment, Office Equipment, Furniture & Fittings, Signs, Poles & Lights and 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.

Asset classes : Heritage Collections and City Art

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified valuer. 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.

Asset classes : 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.

Asset class : Operational Land

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

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Fair value measurement (continued)

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

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

Asset classes : Buildings (Specialised and Non-Specialised)

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

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

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

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

Key level 3 inputs include:

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

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

Asset class : Community Land (Council-owned)

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

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

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

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

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

Non-current assets classified as 'held for sale'

The assets classified as 'held for sale' at 30 June 2018 were transferred from the Buildings - Non-specialised and Operational Land classes. Valuation techniques are consistent with those described above in relation to those classes.

City of Sydney

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

Note 23. Fair value measurement (continued)

\$ '000

(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) after 30 June 2008. The *englobo* methodology applied to valuations is intended to reflect the inherent restriction inherent on land that is used for the purpose of roads. The continued use of this land for the purposes of road, footpath, cycleway and stormwater drainage (as applicable) is considered to be 'highest and best use'.

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24. Related party transactions

 \$ '000

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. Included withing KMP are the Councillors, Chief Executive Officer and the other members of Executive.

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

∞ Compensation:	2018	2017
Short-term benefits	3,932	3,901
Post-employment benefits	479	357
Total	4,411	4,258

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's typical provision of services (e.g. payment of Rates/Annual Charges by KMP; access to library or Council swimming pool by KMP) will not be disclosed.

Aside from these arm's length "ordinary citizen transactions", no further transactions between KMP (and their related parties) and Council took place during the reporting period.

City of Sydney

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

Note 25. Events occurring after the reporting date

Council is aware of the following 'non-adjusting event' that merits disclosure:

On 10 July 2018, the independent certifier to the Transport for NSW CBD to South East light rail project provided a 'certificate of payment', indicating that project milestones had been adequately met to require payment of Council's contribution amount. Payment was made on 6 August, in accordance with the terms of the Light Rail development agreement. The payment of \$63.6M was in accordance with the amount budgeted but not paid during 2017/18. No financial adjustment has been made to the 2017/18 accounts, as the amount was not payable at balance date.

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

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PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure/ Asset Received during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	–	976	1,309	–	(250)	(726)	1,309	25,432
Traffic and transport	16,976	5,565	3,744	541	(2,972)	–	23,854	–
Open space	47,566	27,640	1,979	1,330	(11,481)	(15,227)	51,807	(41,385)
Community facilities	843	5,564	–	1,309	(23,670)	15,953	–	15,953
Section 7.11 contributions – under a plan	65,386	39,745	7,032	3,181	(38,373)	–	76,971	–
Section 7.4 planning agreements	62,358	34,643	17,164	903	(31,667)	–	83,401	–
Section 61 contributions	–	24,487	–	–	(24,487)	–	–	–
Total contributions	127,743	98,875	24,196	4,084	(94,526)	–	160,372	–
Cash Contribution Movement	78,068	98,875	–	4,084	(81,360)	–	99,667	–
Section 7.11 (all plans)	61,326	39,745		3,181	(38,373)	–	65,879	–
Section 7.4 Planning Agreements (VPAs, FSR)	16,742	34,643		903	(18,500)	–	33,787	–
Section 61 Contributions	–	24,487		–	(24,487)	–	–	–
Contributions Receivable Movement	49,676	–	24,196	–	(13,167)	–	60,705	–
Section 7.11 (all plans)	4,060	–	7,032		–		11,092	
Section 7.4 Planning Agreements (VPAs, FSR)	45,616	–	17,164		(13,167)		49,614	
Total Contributions	127,743	98,875	24,196	4,084	(94,526)	–	160,372	–

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CITY OF SYDNEY DEVELOPER CONTRIBUTIONS PLAN 2015

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure/ Asset Received during year	Internal borrowing to/(from)	Held as restricted asset	Cumulative internal borrowings (due)/payable
		Cash	Non-cash					
Drainage	–	976	1,309	–	(250)	(726)	1,309	25,432
Traffic and transport	16,976	5,565	3,744	541	(2,972)	–	23,854	–
Open space	47,566	27,640	1,979	1,330	(11,481)	(15,227)	51,807	(41,385)
Community facilities	843	5,564	–	1,309	(23,670)	15,953	0	15,953
Total	65,386	39,745	7,032	3,181	(38,373)	–	76,971	–

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City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

Note 27. Financial result and financial position by fund

\$ '000

Council utilises only a general fund for its operations.

City of Sydney

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio (excluding non-recurrent capital expenditure from Operating Expenses)					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses ⁽⁵⁾	<u>32,579</u>	5.68%	2.69%	2.39%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>573,133</u>				
1a. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>32,579</u>	5.68%	-5.75%	-6.73%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>573,133</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>558,415</u>	79.08%	79.71%	78.68%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>706,174</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>439,888</u>	4.06x	2.68x	2.92x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>108,371</u>				
3a. Unrestricted current ratio (less Internal and External Restrictions)					
Current assets less all internal and external restrictions ⁽²⁾	<u>273,391</u>	3.43x	2.02x	1.30x	> 1.0x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>79,715</u>				

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

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

⁽³⁾ Refer to Notes 13 and 14.

⁽⁴⁾ Refer to Note 13(b) and 14(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

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

City of Sydney

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

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

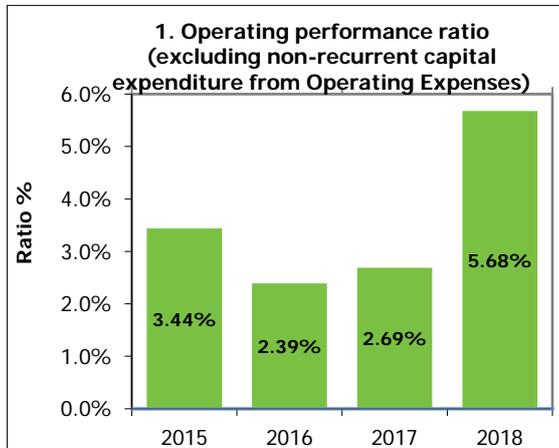
\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	133,184	0.00x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	–				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	4,181	1.32%	1.23%	1.16%	< 5% metro
Rates, annual and extra charges collectible	315,711				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	371,374	9.20 mths	6.5 mths	6.9 mths	> 3 mths
Payments from cash flow of operating and financing activities	40,359				

Notes

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

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

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



Purpose of operating performance ratio

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

Commentary on 2017/18 result

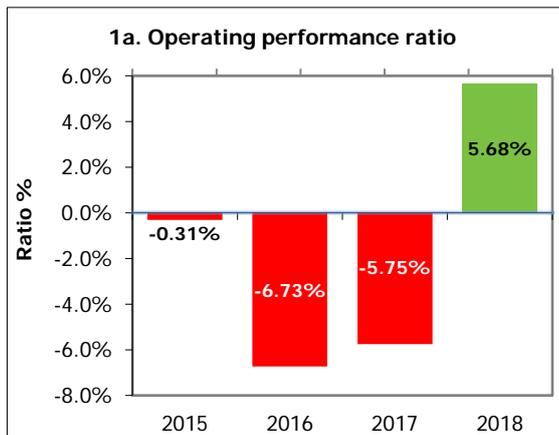
2017/18 ratio 5.68%

Operating performance remained above the benchmark minimum of 0.00%. Improved operating performance against prior year can be attributed to revised depreciation methodology for buildings and roads infrastructure. Additionally, income relating to street furniture advertising, commercial property rents and enforcement income also improved against 2016/17 performance

Benchmark: Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of operating performance ratio

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

Commentary on green result

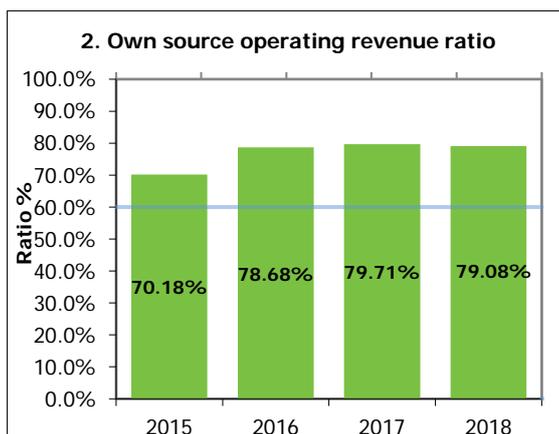
2017/18 ratio 5.68%

2017/18 operating performance was consistent with the adjusted result above, due to the delayed payment of the contribution to Transport for NSW for the CBD to South East light rail project. Prior years were affected by payment of light rail contributions (refer note 4e for 2016/17), which are not considered to form part of underlying operating performance.

Benchmark: Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 2017/18 result

2017/18 ratio 79.08%

Council continues to retain a high level of own source revenue and perform well above the benchmark. Underlying operating revenues remain largely consistent with recent performance.

Benchmark: Minimum >=60.00%

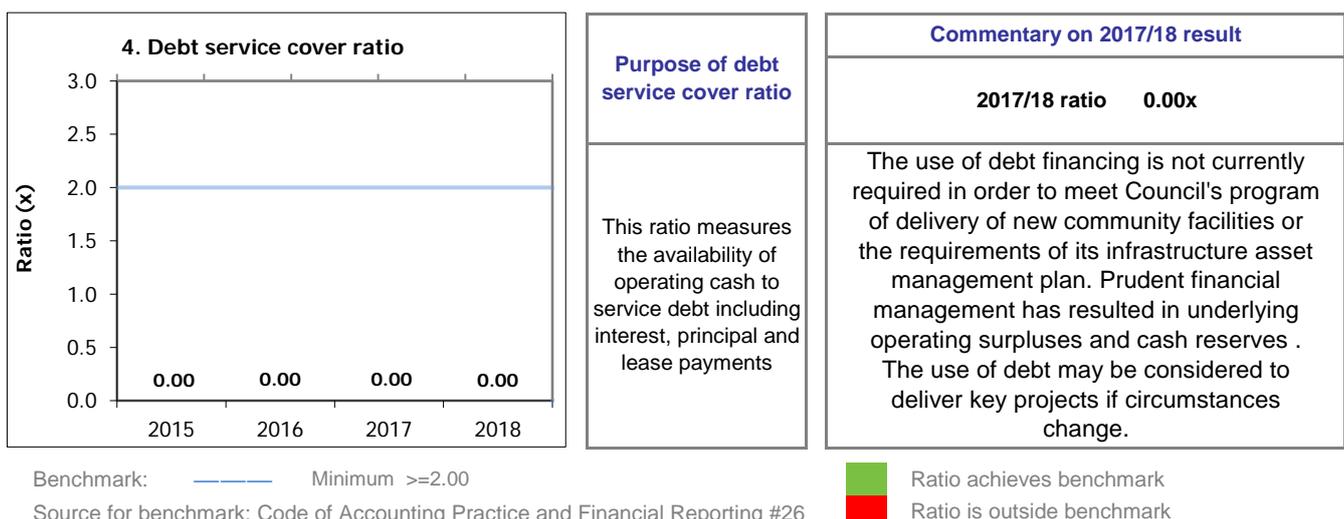
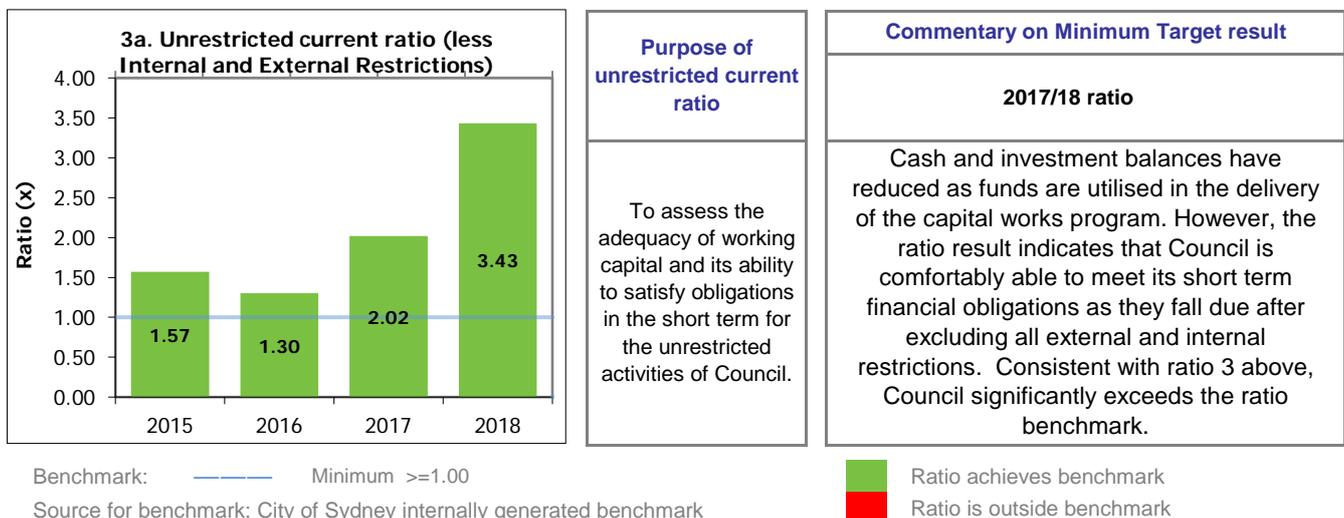
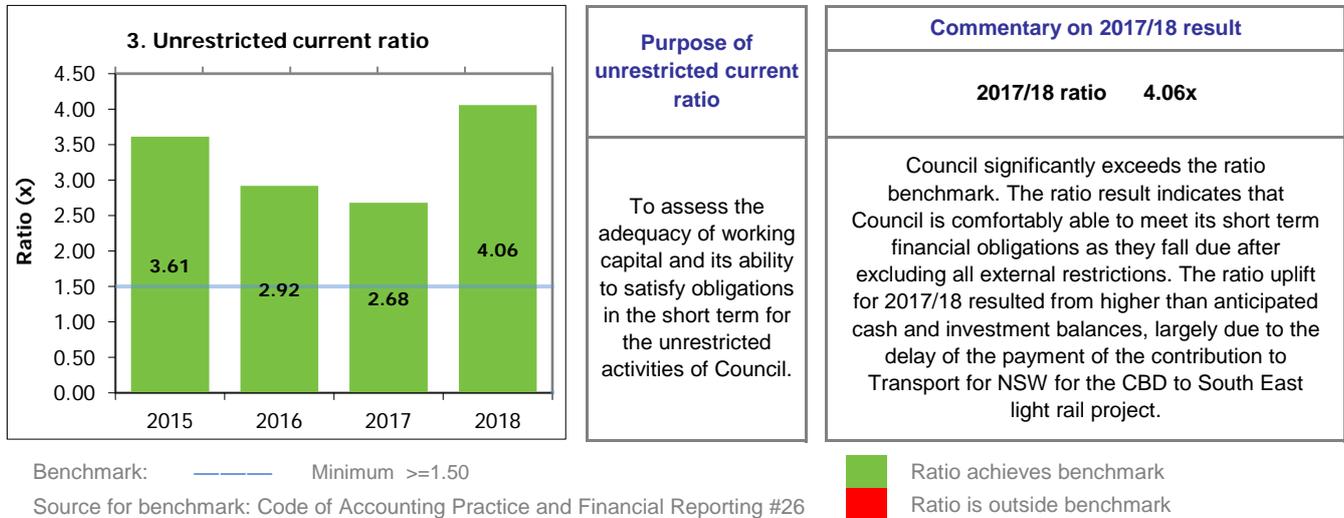
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark

City of Sydney

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

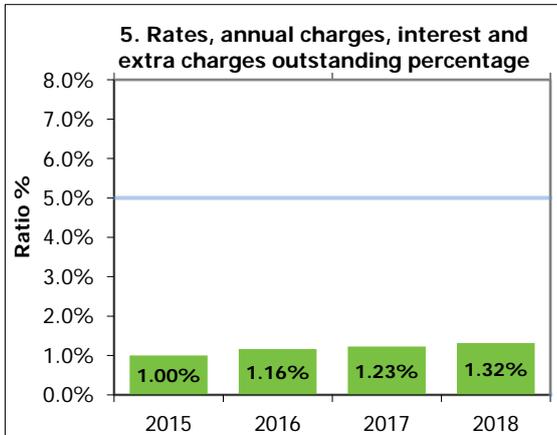
Note 28(b). Statement of performance measures – consolidated results (graphs)



City of Sydney

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

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



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2017/18 result

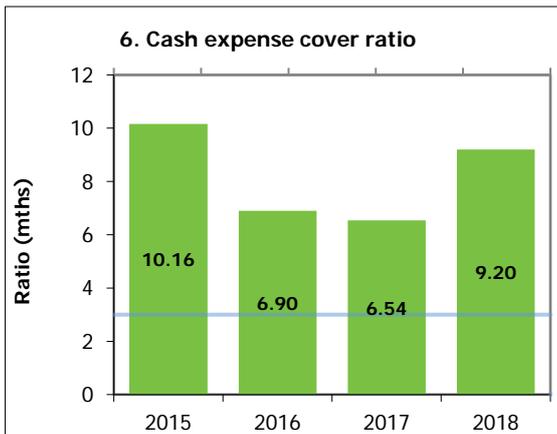
2017/18 ratio 1.32%

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

Benchmark: ——— Maximum <5.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2017/18 result

2017/18 ratio 9.20 mths

As forecast in Council's Long Term Financial Plan, cash and investment balances are expected to reduce over the next 5 years with the delivery of major projects and contributions toward the NSW Government's Light Rail project. The increase against trend is attributed to the delayed payment of the contribution to Transport for NSW for the CBD to South East light rail project.

Benchmark: ——— Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark
■ Ratio is outside benchmark



City of Sydney

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
1. Statement by Councillors and Management	1
2. Special Purpose Financial Statements:	
Income Statement – Other Business Activities	2
Statement of Financial Position – Other Business Activities	3
3. Notes to the Special Purpose Financial Statements	4
4. Auditor’s Report	

Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

City of Sydney

Special Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 29 October 2018.

Clover Moore
Lord Mayor

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

Monica Barone
Chief Executive Officer

Bill Carter
Responsible accounting officer

City of Sydney

Income Statement of Council's Business Activities
for the year ended 30 June 2018

Parking Stations

\$ '000	Category 1	
	Actual 2018	Actual 2017
Income from continuing operations		
User charges	10,025	10,009
Total income from continuing operations	10,025	10,009
Expenses from continuing operations		
Employee benefits and on-costs	139	162
Materials and contracts	1,591	1,585
Depreciation, amortisation and impairment	902	1,514
Calculated taxation equivalents	86	89
Other expenses	1,681	1,669
Total expenses from continuing operations	4,399	5,019
Surplus (deficit) from continuing operations before capital amounts	5,627	4,990
Surplus (deficit) from all operations before tax	5,627	4,990
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,688)	(1,497)
SURPLUS (DEFICIT) AFTER TAX	3,939	3,493
Plus opening retained profits	81,156	76,077
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	86	89
– Corporate taxation equivalent	1,688	1,497
Closing retained profits	86,868	81,156
Return on capital %	5.9%	5.2%
Subsidy from Council	–	–

City of Sydney

Statement of Financial Position – Council's Business Activities

as at 30 June 2018

	Parking Stations	
	Category 1	
\$ '000	Actual 2018	Actual 2017
ASSETS		
Current assets		
Receivables	95	64
Total Current Assets	95	64
Non-current assets		
Infrastructure, property, plant and equipment	95,901	96,869
Inter-Entity Debtor	74,284	67,652
Total non-current assets	170,185	164,521
TOTAL ASSETS	170,280	164,585
LIABILITIES		
Current liabilities		
Payables	752	759
Provisions	47	55
Total current liabilities	799	814
Non-current liabilities		
Provisions	14	17
Total non-current liabilities	14	17
TOTAL LIABILITIES	813	831
NET ASSETS	169,467	163,754
EQUITY		
Accumulated surplus	86,868	81,156
Revaluation reserves	82,598	82,598
TOTAL EQUITY	169,467	163,754

City of Sydney

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

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, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

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

City of Sydney

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Monetary amounts

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

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 30%.

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 30% is the equivalent company tax rate prevalent at reporting date.

Local government rates and charges

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

City of Sydney

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.79% at 30/6/18.

(iv) Dividends

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS



City of Sydney

Special Schedules

for the year ended 30 June 2018

Contents

Page

Special Schedules ¹

Special Schedule 1	Net Cost of Services	1
Special Schedule 2	Permissible income for general rates	3
Special Schedule 2	Independent Auditors Report	4
Special Schedule 7	Report on Infrastructure Assets	6

¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

City of Sydney

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	6,904	–	–	(6,904)
Administration	117,379	6,533	1,072	(109,774)
Public order and safety				
Fire service levy, fire protection, emergency services	3,759	–	–	(3,759)
Beach control	–	–	–	–
Enforcement of local government regulations	23,911	38,900	–	14,989
Animal control	–	–	–	–
Other	7,307	–	–	(7,307)
Total public order and safety	34,977	38,900	–	3,923
Health	16,088	12,188	–	(3,900)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	5,500	829	–	(4,671)
Solid waste management	34,082	46,004	–	11,922
Street cleaning	25,790	927	–	(24,863)
Drainage	4,270	1,943	–	(2,327)
Stormwater management	–	–	–	–
Total environment	69,642	49,703	–	(19,939)
Community services and education				
Administration and education	3,014	39	–	(2,975)
Social protection (welfare)	3,113	43	–	(3,070)
Aged persons and disabled	3,288	1,380	–	(1,908)
Children's services	7,866	3,790	–	(4,076)
Total community services and education	17,281	5,252	–	(12,029)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	76	–	–	(76)
Street lighting	15,729	14,636	508	(585)
Town planning	27,424	6,229	128,020	106,825
Other community amenities	2,090	–	–	(2,090)
Total housing and community amenities	45,319	20,865	128,528	104,074
Water supplies	–	–	–	–
Sewerage services	–	–	–	–

City of Sydney

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	10,739	693	–	(10,046)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	9,635	1,127	–	(8,508)
Performing arts venues	730	231	–	(499)
Other performing arts	–	–	–	–
Other cultural services	42,889	792	–	(42,097)
Sporting grounds and venues	270	–	–	(270)
Swimming pools	3,386	1,059	–	(2,327)
Parks and gardens (lakes)	45,438	42	–	(45,396)
Other sport and recreation	3,635	1,288	–	(2,347)
Total recreation and culture	116,722	5,232	–	(111,490)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	–	–	–	–
Transport and communication				
Urban roads (UR) – local	23,133	5,855	–	(17,278)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	11,732	48,473	–	36,741
Footpaths	15,243	–	–	(15,243)
Aerodromes	–	–	–	–
Other transport and communication	9,176	12,295	1,064	4,183
Total transport and communication	59,284	66,623	1,064	8,403
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	56,681	133,451	–	76,770
Total economic affairs	56,681	133,451	–	76,770
Totals – functions	540,277	338,747	130,664	(70,866)
General purpose revenues ⁽¹⁾		285,844		285,844
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	540,277	624,591	130,664	214,978

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement

City of Sydney

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	271,183	271,779
Plus or minus adjustments ⁽²⁾	b	3,026	4,000
Notional general income	c = (a + b)	274,208	275,778
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	2.58%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	6,307	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	7,115
Sub-total	k = (c + g + h + i + j)	280,515	282,893
Plus or (less) last year's result	l	11,730	32
Less vunrecovered amounts claimed in previous year	m	–	–
Sub-total	n = (k + l + m)	292,245	282,925
Plus one-off catch-up of previous years' shortfall	o	11,730	–
Plus catch-up of unrecovered amounts ⁽⁵⁾	p	326	–
Less unused catch-up ⁽⁶⁾	q	–	(13)
Maximum general income permissible	r = o + p – q	304,302	282,913
Less notional general income yield	s	(304,302)	(271,183)
Catch-up or (excess) result⁷	t = r – s	–	11,730

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. Adjustments include 'supplementary valuations' as defined in the *Valuation of Land Act 1916* and estimate valuation changes, as allowed under s509(2)(b) and s509(2)(c) of the *Local Government Act 1993*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) The catch-up of a previous year shortfall in general income is allowed under section 511 of the *Local Government Act, 1993*.
- (5) Councils can claim the value of the permissible income unable to be recovered or retained due to reductions in valuations issued by the Valuer-General, as allowed under section 511A of the *Local Government Act 1993*.
- (6) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (7) Excess results require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.

City of Sydney

Special Schedule 2 – Independent Auditors Report
for the year ended 30 June 2019

Report on Special Schedule 2

To be provided by the City's independent auditor, the Audit Office of NSW

Report to be signed at 29 October 2018

City of Sydney

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard ^a	Estimated cost to bring to the agreed level of service set by Council ^b	2017/18 Required maintenance ^c	2017/18 Actual maintenance ^c	Net carrying amount ^c	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	16,737	27,838	26,780	24,598	1,361,480	1,674,631	4%	60%	35%	1%	0%
	Buildings – specialised	3,296	3,479	1,771	1,629	30,679	43,224	0%	37%	29%	1%	33% ^f
	Sub-total	20,032	31,317	28,551	26,227	1,392,159	1,717,856	3.8%	59.5%	35.1%	0.8%	0.8%
Roads	Sealed roads - surface	5,149	3,926	3,000	2,942	134,861	192,374	28%	53%	17%	1%	0%
	Sealed roads - structure	520	520	132	207	396,001	448,136	40%	42%	15%	2%	1%
	Bridges	2,768	1,050	44	82	40,923	88,597	5%	28%	61%	6%	0%
	Footpaths	15,933	12,157	5,113	5,450	217,308	535,836	8%	36%	48%	8%	1%
	Kerb and gutter	1,893	373	797	1,468	73,553	306,836	1%	11%	88%	0%	0%
	Other ^e	400	400			12,194	39,753	4%	36%	56%	4%	0%
	Sub-total	26,662	18,426	9,087	10,149	874,840	1,611,532	17.7%	34.5%	43.6%	3.7%	0.5%
Stormwater drainage	Stormwater drainage	3,000	3,000	2,709	3,203	205,258	315,019	38%	35%	17%	6%	4%
	Sub-total	3,000	3,000	2,709	3,203	205,258	315,019	38.0%	35.0%	17.5%	6.0%	3.5%
Open space/recreational assets	Open Space Assets	5,354	10,707	15,391	15,189	210,864	468,548	5%	32%	58%	5%	0%
	Sub-total	5,354	10,707	15,391	15,189	210,864	468,548	4.9%	32.1%	58.2%	4.9%	0.0%

City of Sydney

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

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 9 of the General Purpose Financial Statements. Added to the Buildings class is the carrying value of Council's 'Investment Properties', per Note 14 of the General Purpose Financial Statements
- e 'Other' infrastructure includes street furniture and street fixtures (e.g. traffic islands)
- f The proportion of Specialised Buildings assessed as condition 5 is distorted by the inclusion of the Sydney Park Brick Kilns, assessed to be in a "poor" condition. This asset represents a disproportionate share of the small 'Specialised Buildings' class

Infrastructure asset condition assessment 'key'

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

City of Sydney

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio⁽¹⁾					
Asset renewals ⁽²⁾	<u>43,752</u>	61.47%	62.59%	57.01%	>= 100%
Depreciation, amortisation and impairment	<u>71,177</u>				
1a. Buildings and infrastructure renewals ratio (alternate)⁽¹⁾					
Asset renewals ⁽²⁾	<u>43,752</u>	67.39%	88.47%	87.13%	>= 100%
Required asset renewal (per adopted asset management strategy)	<u>64,922</u>				
2. Infrastructure backlog ratio⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>55,048</u>	2.05%	3.55%	3.54%	< 2.00%
Net carrying amount of infrastructure assets	<u>2,683,121</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>54,768</u>	98.26%	100.14%	101.73%	> 100%
Required asset maintenance	<u>55,738</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>63,450</u>	1.54%	1.31%	1.80%	< 2.00%
Gross replacement cost	<u>4,112,954</u>				

Notes

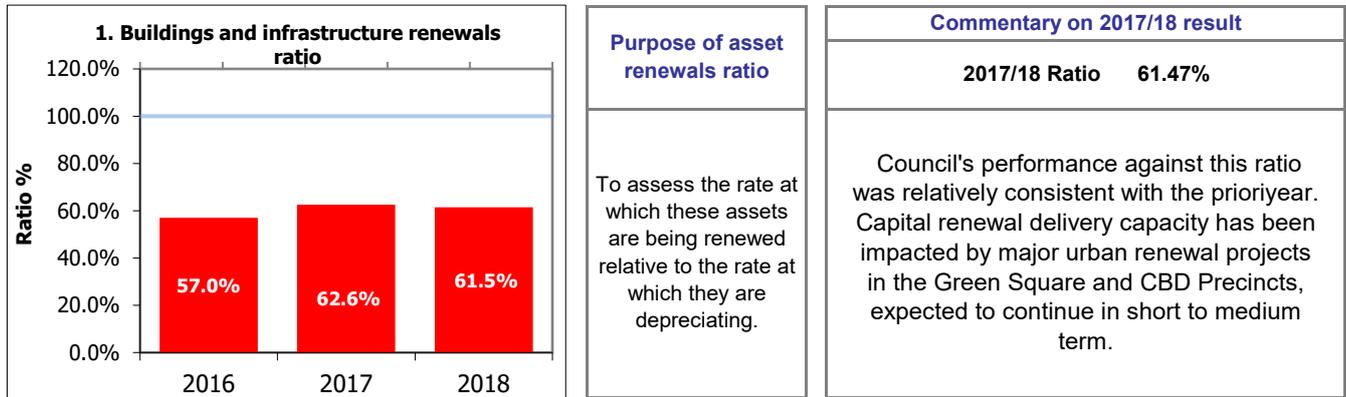
* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Excludes Work In Progress (WIP)

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

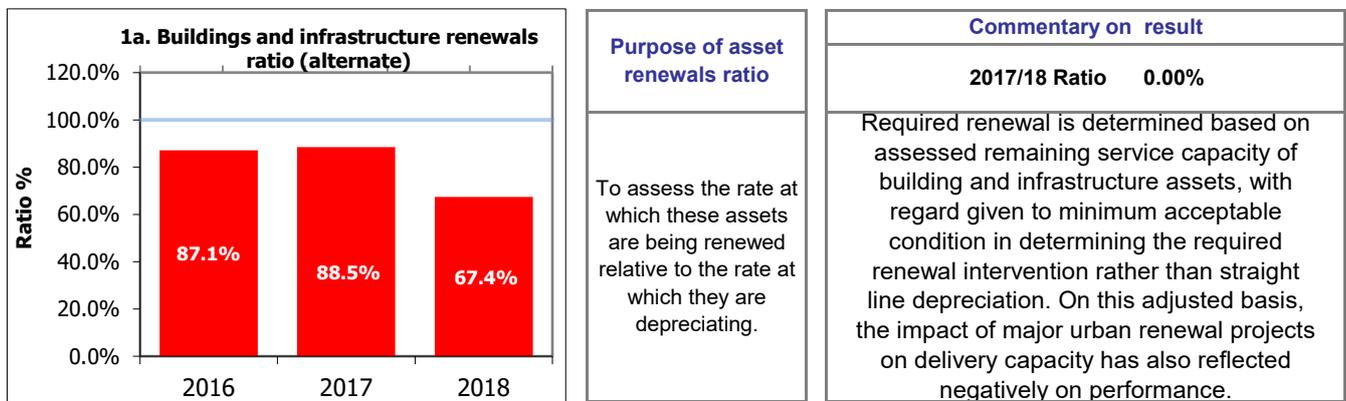
City of Sydney

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018



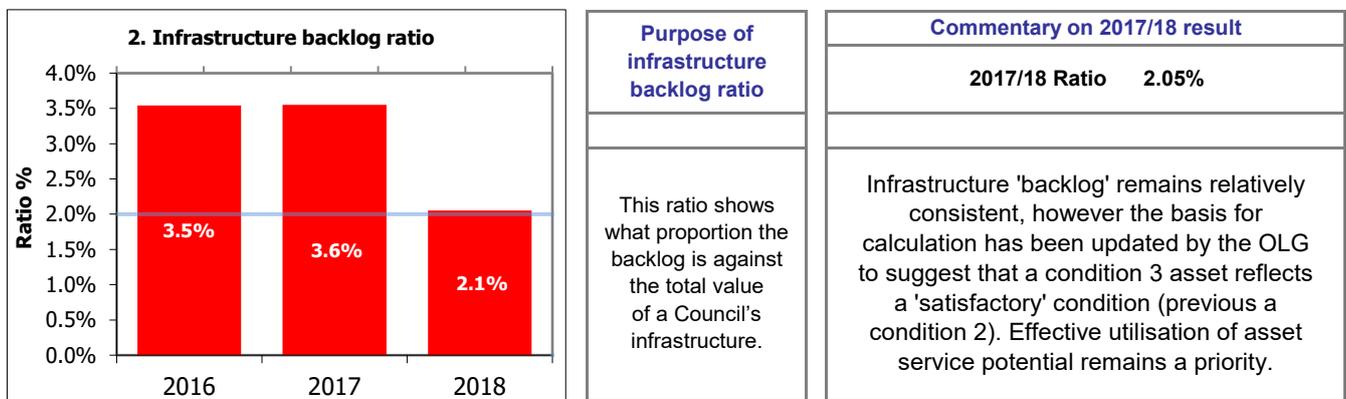
Benchmark: Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark

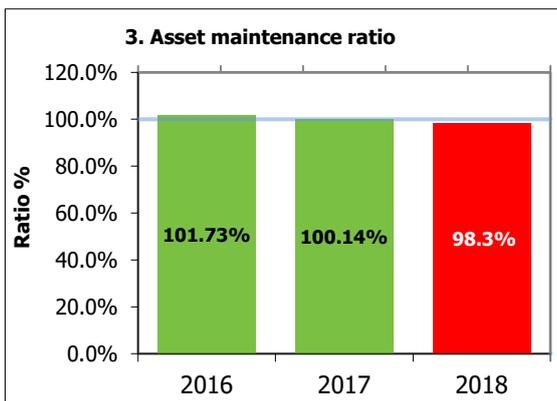


Benchmark: Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark

City of Sydney

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018



Purpose of asset maintenance ratio

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

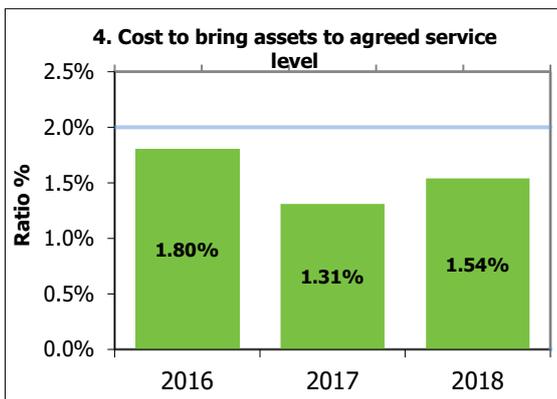
Commentary on 2017/18 result

2017/18 Ratio 98.26%

Council has met the benchmark of this ratio. 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 timing/cycles vary, from time to time, as asset condition assessments are undertaken.

Benchmark: Minimum >100.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio

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

Commentary on 2017/18 result

2017/18 Ratio 1.54%

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

Benchmark: Minimum >=2.00%
Source for benchmark: City of Sydney

Ratio achieves benchmark
Ratio is outside benchmark

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

Contact: Margaret Crawford
 Our ref: D1812915/1791

29 October 2018

Dear Lord Mayor

Report on the Conduct of the Audit for the year ended 30 June 2018 City of Sydney Council

I have audited the general purpose financial statements of the City of Sydney Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I will express an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

Income Statement

Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	311.6	312.7	0.4 
Grants and contributions revenue	147.8	137.4	7.6 
Operating result for the year	217.1	131.8	64.7 
Net operating result before capital amounts	84.0	12.7	561.4 

Rates and annual charges revenue (\$311.6 million) decreased by \$1.1million (0.4 per cent) in 2017–2018. The slight decrease is mainly due to Council re-categorising some lands from business to residential category.

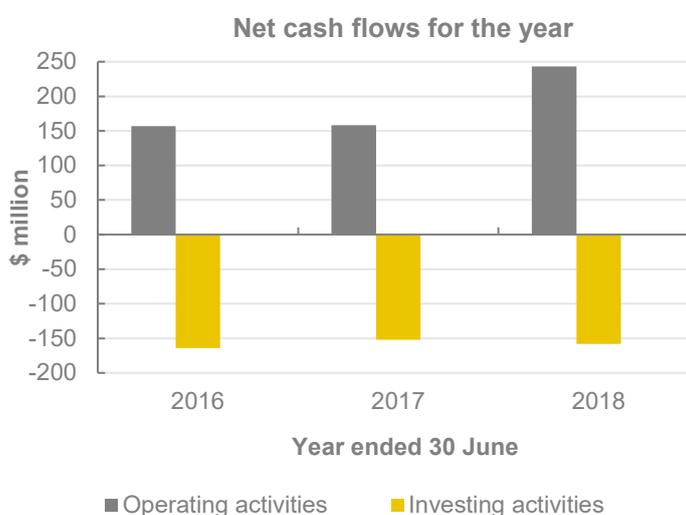
Grants and contributions revenue (\$147.8 million) increased by \$10.4 million (7.6 per cent) in 2017–2018 due to \$14.9 million contributions received for the development of the Green Square Town Centre.

Council’s operating result (\$217.1 million including the effect of depreciation and amortisation expense of \$100.6 million) was \$85.3 million higher than the 2016–17 result. The increase was mainly due to a budgeted \$63.6 million grant contribution for the light rail project to Transport for NSW which did not occur in the 2017-18 financial year and higher developer contributions received. The budgeted \$63.6 million contribution of the agreed \$220 million total contribution was subsequently paid in August 2018 (2018-19). The 2016-17 operating result included a \$47.1 million contribution for the light rail project paid by Council to Transport for NSW in 2016-17.

Similarly, Council’s net operating result before capital grants and contributions (\$84.0 million) was \$71.3 million higher than the 2016–17 result due to the contribution described above.

STATEMENT OF CASH FLOWS

- Operating cash flows is significantly higher in 2018 reflecting Council’s light rail contribution to Transport for NSW which was not paid until 2018-19.
- Investing activities remained steady over the last three years.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	126.7	100.7	Externally restricted balances include cash reserves earmarked for specific purposes such as developer contributions and domestic waste management charges.
Internal restrictions	309.6	301.4	
Unrestricted	166.9	113.7	
Cash and investments	603.2	515.8	Council also imposes internal restrictions due to policy or decisions for forward planning. This includes cash and investments held for the city centre transformation reserve and the Green Square reserve.
			Unrestricted balances provide liquidity for day-to-day operations.

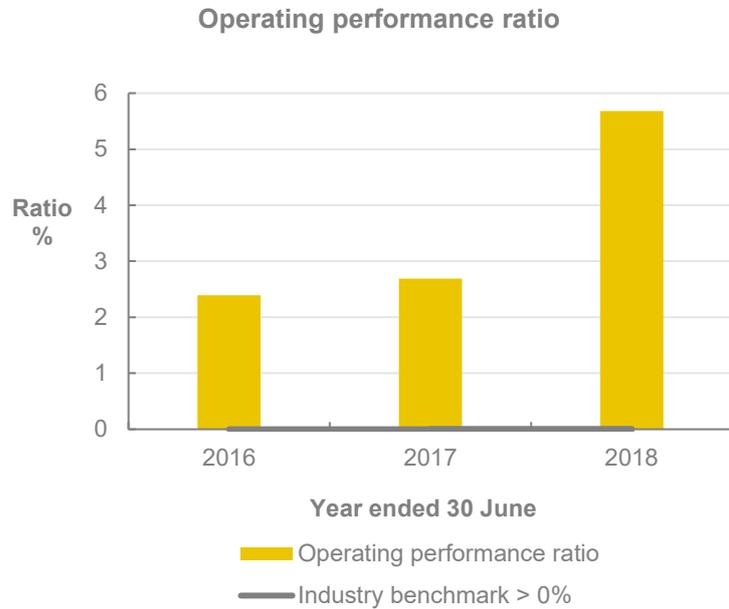
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 28 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

The Council's operating performance, after adjusting for capital related contribution to the light rail project in prior years, is above the benchmark level. The delayed payment of the contribution to Transport for NSW for the CBD to south east light rail project contributed to the higher ratio in 2018.

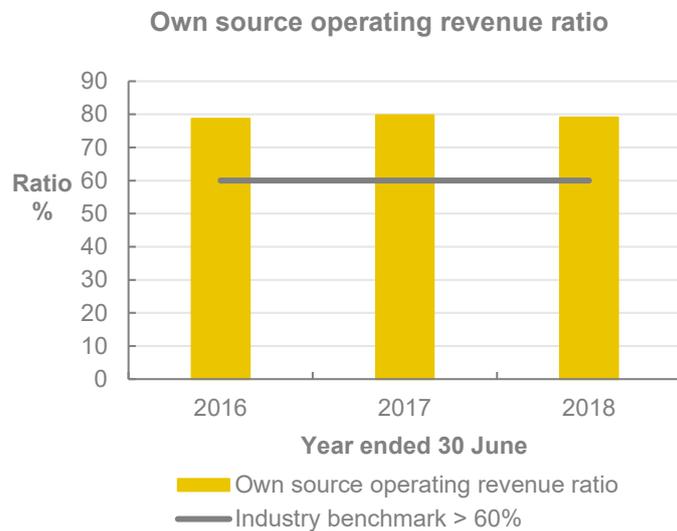
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

The Council's own source operating revenue continues to exceed the benchmark over the past three years and has remained consistent at 79.1 in 2018. The ratio fluctuates with movements in grants and contributions

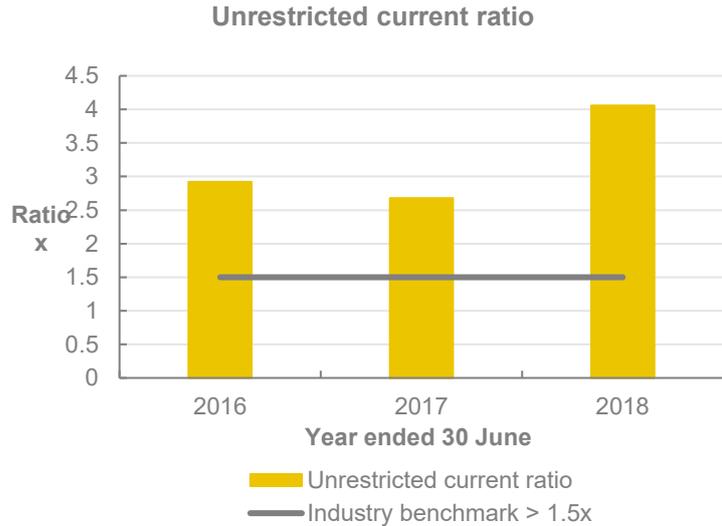
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

The Council continues to exceed the benchmark. Improved unrestricted current ratio in 2018 is mainly due to increase in short term deposits resulting from the delayed NSW light rail contribution.

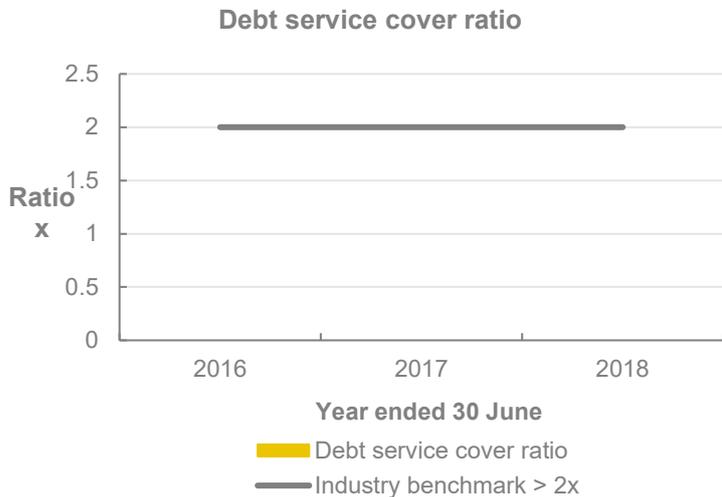
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council currently does not have any debt.

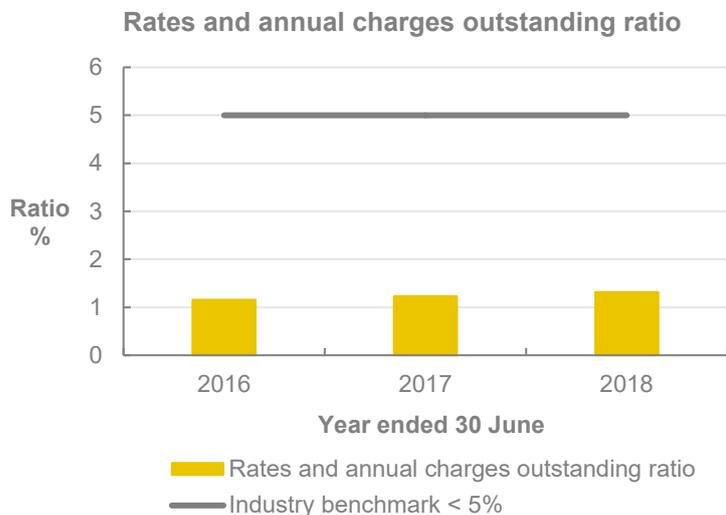
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

The Council's rates and annual charges outstanding ratio has been below 2 per cent over the past three years, significantly better than the benchmark level of 'less than 5 per cent'.

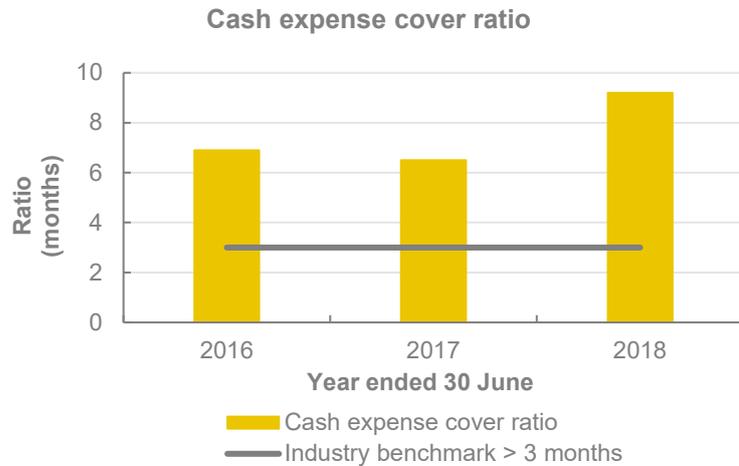
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

The Council continues to exceed the benchmark. Improved cover ratio in 2018 due to a \$80 million increase in short term deposits at 30 June 2018 not spent due to the delayed light rail contribution to Transport for NSW. Consistent with the Long Term Financial Plan, cash and investment balances is expected to reduce over the next 5 years with the delivery of major projects and contributions towards the Transport for NSW's light rail project.

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.



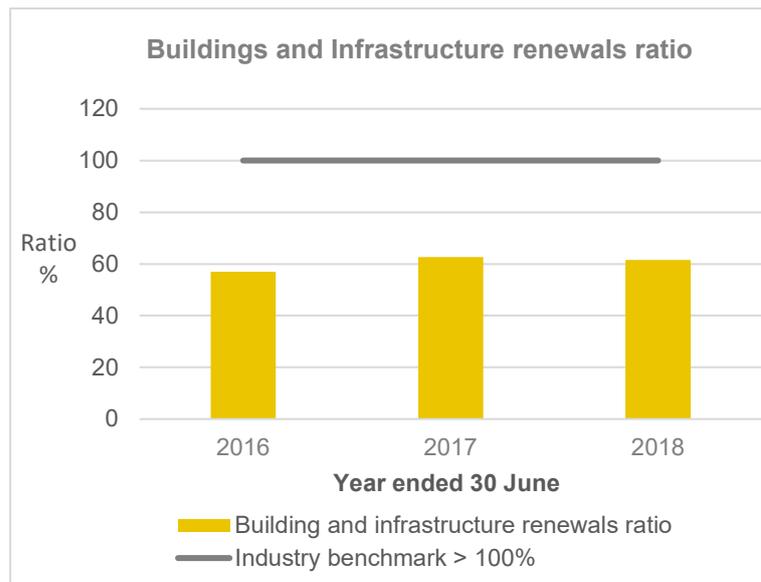
Building and infrastructure renewals ratio (unaudited)

The Council's building and infrastructure renewals ratio decreased slightly from 62.6 per cent in 2017 to 61.5%. The Council's rate of asset renewal is lower than the relative rate at which assets are depreciated.

The Council ensures it matches the required expenditure for asset renewals with the actual condition assessment of the assets through its asset management program.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

The Council does not have debt and the disclosure is not applicable.

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 reports. The Council's:

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

Margaret Crawford
Auditor-General of NSW

29 October 2018
SYDNEY

cc: Monica Barone, Chief Executive Officer
Elizabeth Crouch, Chair of the Audit Risk and Compliance Committee
Tim Hurst, Chief Executive of the Office of Local Government

Item 4.

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

File No: X020701

Summary

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

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

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

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

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

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

These two amendments continue to be included in the policy.

The City has good relationships with its financial institutions, and regularly meets to advocate for new investment vehicles and products that will achieve our desire to increase our commitments to social and responsible investment. The City has also discussed the development of fossil fuel free investment products and notes that it is a complex long term task. The City will, nonetheless, continue to advocate for continued and improved effort.

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

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

The legislative and regulatory environment for local government has remained static, and the existing Investment Policy continues to serve the City well. The proposed minor administrative amendment to the Policy is to update the name of the governing body under the 'Reference' section to 'Office of the Local Government', from 'Division of Local Government'. This is to reflect the current name of the department and was an oversight in earlier versions. The change does not constitute a policy change.

The key objectives of the current Investment Strategy remain valid for the present economic, investment and legislative environments. The Strategy remains unchanged as it presently meet liquidity requirements for Council's ongoing capital works program, as well as revised objectives for investment performance measurements.

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

Recommendation

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

Attachments

Attachment A. 2018/19 Investment Policy for the Management of Surplus Funds

Attachment B. 2018/19 Investment Strategy for the Management of Surplus Funds

Background

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

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

8. The Policy encourages investments in environmentally and socially responsible investments provided that they meet the risk and return requirements of other investments. Two amendments were adopted in October 2016 that:
 - (a) strengthened Council's commitment to sustainable investments where returns and risk are equivalent by changing the word 'desirable' to 'preferred' under the environmentally and socially responsible investments criteria; and
 - (b) expanded the definition of environmentally harmful activities to include specific reference to coal, gas and oil.
9. The first amendment proposed the change of the word 'desirable' to 'preferred' under the criteria for environmentally and socially responsible investments. The change highlights that the City will, all things being equal, invest in social and responsible investments.
10. The second amendment included 'coal, gas and oil' (fossil fuels) as criteria to avoid, being environmentally harmful activities. Fossil fuels are some of the major contributors to greenhouse gas emissions, resulting in climate change. Clearly identifying these items in the criteria section of environmentally harmful activities of the policy emphasises Council's intent not to invest in activities relating to fossil fuel use.
11. The amendments did not significantly change the overall intent of the Policy but provide a clearer signal to the broader community, public sector agencies/all levels of government and the financial sector as to the City's intent.
12. A minor amendment to the policy related to updating the name of the governing body under the 'Reference' section to 'Office of the Local Government', from 'Division of Local Government'. This is to reflect the current name of the department.
13. The key objectives of the current Investment Strategy remain valid for the present economic, investment and legislative environments. The Strategy remains unchanged, as it presently meets liquidity requirements for Council's ongoing capital works program as well as revised objectives for investment performance measurements. Sections of the Investment Strategy that detail the current investment portfolio and its performance were amended to reflect the present results.
14. The proposed Investment Policy and Strategy continue to satisfy the compliance requirements of the Ministerial Investment Order.
15. It should be noted that the Investment Strategy is a 'guiding principles' document. As market conditions change significantly and very quickly, the Strategy may need to be amended from time to time, in which case Council would be advised through the monthly Investment Report.
16. Council's Investment Policy and Investment Strategy continue to permit and encourage environmental and socially responsible investment activity (SRI investments). While Council continues to pursue these objectives, the task has been made difficult in recent times as the Ministerial Investment Order restricts the range of financial institutions in which NSW councils can invest, and prohibits many of the available socially responsible investment products.

17. In addition to these statutory restrictions, Council also imposes its own additional restrictions through its Investment Policy in order to further minimise and manage investment risk. The combined effect of these restrictions is that the City now operates in an investment market with very little opportunity for socially responsible investments. This conservative approach has, however, safeguarded the City's funds and maintained an investment portfolio that continues to exceed industry performance benchmarks.

Key Implications

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

Financial Implications

19. Investment returns over the past five years have gradually reduced, reflecting lower interest rates and the more limited investment opportunities now available under the Ministerial Investment Order, Investment Policy and Investment Strategy.
20. Portfolio returns are expected to remain reasonably low, that is between 2.50-3.00%, for the next year with interest rates continuing at historic lows. Anticipated cash balances and resultant investment returns are subject to achievement of the planned capital program.

Relevant Legislation

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

BILL CARTER

Chief Financial Officer

James Legarse, Financial Accountant

Attachment A

**2018/19 Investment Policy for the
Management of Surplus Funds**

Investment Policy

Purpose

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

The policy sets the framework to:

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

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

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

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

Scope

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

Definitions

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

Term	Meaning
Cash	<p>Cash comprises:</p> <ul style="list-style-type: none"> • cheque accounts • daily call accounts <p>with Authorised Deposit-taking Institutions (ADIs).</p> <p>Cash assets typically have a maturity term at the time of placement of being immediately available or available within 24 hours.</p> <p>Cash assets are closely linked with investments but do not constitute investments. Cash is used to meet immediate operational cash needs.</p>
Investments	<p>Investments comprise:</p> <ul style="list-style-type: none"> • term deposits • bonds with an active secondary market <p>with government (including NSW T-Corp) and Authorised Deposit-taking Institutions (ADIs).</p> <p>Investment assets have maturities at the time of placements of 30 days or more</p>
Investment Periods	<p><i>Short-term</i>: those investments that are under 12 months</p> <p><i>Long-term</i>: those investments that are greater than 12 months</p>
Grandfathered investments	<p>Grandfathered investments are a part of total investments and comprise:</p> <ul style="list-style-type: none"> • investments where additional investment activity is prohibited by regulation • other investments over which additional investment activity is temporarily prohibited due to unintentional breaches of investment thresholds and limitations that arise due to changes in the level of unrelated investments within the portfolio (the prohibition only remains as long as the breaches remain in place).
Impairment	<p>The impairment of an investment represents the amount of the original cost of the investment that is not expected to be recovered at the investment's maturity date due to current adverse economic or investment conditions that impact on the investment's financial performance.</p>
Provision for market value differences	<p>The market values of tradeable investments may vary over the life of the investment due to changes in pricing factors such as interest rates and credit spreads. The pricing factors have diminishing influence as the investment nears maturity and is redeemed at face value. Since the accounting policy requires investments to be valued at market value, the net difference between the face value of the investments and their total current market value is calculated and recorded in a 'Provision' general ledger account which is added to the total cost of the investments to produce the market value.</p>

Term	Meaning
Approved Deposit-taking Institution (ADI)	An institution that is authorised under the <i>Banking Act 1959</i> to accept term deposits and conduct banking activities in accordance with that Act and under the prudential supervision of the Australian Prudential Regulation Authority (APRA).
Active secondary market	A market where investors purchase securities or assets from other investors, rather than from issuing companies themselves on an arms length (independent) basis.
Benchmark rates	Benchmark rates comprise: <ul style="list-style-type: none"> • Bloomberg AusBond Bank Bill Index - The Bloomberg AusBond Bank Bill index is constructed as a benchmark to represent the performance of a passively managed short-term money market portfolio. The index is based on thirteen 91-day bank bills that mature a week apart (each Tuesday) for 13 weeks. As each bank bill matures a new 91 day bank bill is purchased using the 3 month BBSW rate. Each existing bank bill is revalued using interpolated rates constructed from the RBA 24 Hour cash rate and the one month bank bill rate. An index is then constructed to represent the returns of these thirteen bank bills. The index is an accumulation index meaning the value of the index changes each day. • 30 Day Bank Bill Index – The 30 Bank Bill Index is designed to measure the performance of the Australian short-term money market. The index is based on the calculated monthly average of Bank Accepted Bills/Negotiable Certificates of Deposit, as issued by RBA.

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

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

Policy statement

The City's investment objective is to ensure funds that are surplus to Council's immediate requirements are invested within acceptable risk parameters to optimise interest income while ensuring the security of these funds.

Legislative authority for investments

All investments are to be made in accordance with:

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

Investment governance

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

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

These internal control practices are explained in more detail below.

Financial planning and cash-flow management

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

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

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

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

Delegated authorities and investment responsibilities

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

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

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

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

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

Investment responsibilities

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

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

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

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

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

Cash

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

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

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

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

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

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

Conflict of interest

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

Measurement of investment performance

Investment performance includes both interest returns and any change in the underlying capital value of the investments.

Interim fluctuations of capital value are excluded from the monthly measurement of investment performance on the basis that:

- investments are mainly acquired with the intention of holding them through to maturity
- cash liquidity requirements are structured and managed to ensure that Council is not in a financial position that will require a forced sale of these assets.

Notwithstanding the above position, changes in capital value are important and the quarterly investment report will therefore provide Council with indicative market valuations of each investment. In the event that the capital value of any investment becomes permanently impaired, or a capital loss or gain is actually realised (through disposal), the loss or gain of value will be recognised within that month's financial accounts.

In accordance with the requisite accounting standards, all investments are required to be 'marked to market value' at year end. A provision will therefore be recognised for the net changes in the indicative market values of all direct investments at the end of each financial year.

Performance benchmarks

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

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

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

Council currently uses two performance benchmarks:

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

Reporting and Review

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

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

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

Each calendar quarter, the monthly report will also include:

- indicative market valuations of Council's investments
- analysis of the portfolio's liquidity (maturity) profile
- analysis of the portfolio's risk profile (credit ratings)
- analysis of the portfolio's product diversification (investment types)

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

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

Audit oversight

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

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

Investment criteria

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

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

Mandatory investment criteria

Scope

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

Currency

Investments must be denominated in Australian Dollars.

Ownership

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

Term / Maturity

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

Investments	Maximum term
All investments	10 years

Credit rating

The following credit rating criteria apply to City investments:

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

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

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

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

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

Portfolio liquidity parameters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Breaches of criteria

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

Grandfathering of Investments

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

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

Breach as a result of regulatory change

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

Breach as a result of a change in the total investment portfolio

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

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

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

Investment Strategy

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

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

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

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

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

Requirements in respect of each component are detailed below.

Risk profile

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

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

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

- funds or financial institutions
- credit rating bands.

Creditworthiness of investments is primarily determined using long and short term credit and fund Industry Standard Credit Ratings of Standard & Poors (S&P), Moodys or Fitch.

Liquidity/Maturity

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

Return/Income

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

Environmentally and socially responsible investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Evaluation

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

References

Laws and standards

- Australian Accounting Standards
- Office of Local Government – Local Government Code of Accounting Practice & Financial Reporting
- Office of Local Government Circulars
- Office of Local Government Investment Policy Guidelines
- Local Government (General) Regulation 2005
- Local Government Act 1993
- Minister's Investment Order (gazetted)
- Trustee Act 1925 (NSW)

Policies and procedures

- Code of Conduct
- Disciplinary Policy & Procedures
- Fraud & Corruption Internal Reporting Policy
- Investment Strategy

Approval

The Council approved this policy on 29 October 2018.

Review

Review period	Next review date	TRIM reference
The Code of Accounting Practice & Financial Reporting requires Council to undertake an annual review of its Investment Policy and Investment Strategy.	October 2019	

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Attachment B

**2018/19 Investment Strategy for the
Management of Surplus Funds**

Investment Strategy

Purpose

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

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

Scope

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

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

Context

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

- global and domestic economic investment environments
- investment policy and legislative constraints
- current composition of Council's investment portfolio
- long, medium and short term financial plans.

Global and domestic investment environments

Financial and investment environments, both globally and domestically, continue to improve at different rates across various regions. The global financial recovery process has been aided by a more standardised international regulatory process with more stringent capital adequacy requirements for financial institutions.

In Australia, a history of prudent regulation of the financial institutions by the Australian Prudential Regulation Authority (APRA) has meant that Australian based regulated financial institutions have already operated for an extended period under stringent capital adequacy and liquidity requirements. Council's investments all fall under APRA regulation with the result that the portfolio is conservative and secure.

Interest rates have remained low but have begun to rise marginally in the US in the recent years.

Legislative environment

Council's investment opportunities are constrained by a combination of legislation, regulation and any directions and guidelines issued by the Minister or the Office of Local Government.

There has been no change to the investment legislative environment for a number of years and the most recent Ministerial Investment Order released in January 2011 continues to limit Council's investment options to:

- term deposits with Approved Deposit-taking Institutions (ADIs)
- other ADI senior ranked securities
- investments with NSW Treasury Corporation (T-Corp)
- funds or securities issued or guaranteed by the Commonwealth or any State or Territory.

Composition of Council's investment portfolio

The conservative nature of Council's Investment Strategy is clearly reflected in the structure of the portfolio, where 100% of the portfolio is invested with APRA-regulated ADIs.

Council's current portfolio is as follows (as at the end of August 2018):

Investment	Split
Big Four banks	56%
Australian mid-tier banks	43%
Foreign controlled Australian based ADIs	1%
Total APRA-regulated ADIs	100%

The allocation of assets within the portfolio is with very secure institutions. In the past year, Council has diversified the portfolio with further selected investment into the Australian mid-tier banks as they continue to reflect strength and stability.

Investment strategy

Council's investment portfolio will continue to be prudently managed in accordance with:

- Council's Investment Policy and related legislative and regulatory requirements,
- documented risk management procedures to preserve capital; and
- Council's operational and capital funding requirements.

Objectives

Council's investment strategy for the period is to maintain the highly secure profile of the portfolio, provide liquidity and deliver competitive investment returns commensurate with the portfolio structure.

Risk profile

The risk profile for the Council's investment portfolio is based on the principles of being prudent, conservative and risk averse. This is achieved by managing the diversity and creditworthiness of investments in accordance with the Investment Policy and other relevant requirements.

Council's capital funding requirements will continue to increase over the next few years, including the funding of infrastructure development for Green Square and the partial funding of the NSW State Government light rail project in George Street. As a result, the maturity profile of the

investment portfolio has become more concentrated in the short and medium term rather than the longer term.

As a consequence, the proportion of longer dated floating rate notes in the portfolio is reducing while the proportion of short to medium dated term deposits and floating rate notes are increasing. All of these investments are with APRA regulated financial institutions so that credit risk remains minimal. The maturity profile of the investments is adequately spread over those periods to ensure that liquidity and maturity risks are also kept to a minimum.

The most favourable market for term deposits is mainly with the APRA regulated Australian mid-tier banks with the result that these banks comprise between 30 to just over 40% of the portfolio and provide diversity within the portfolio.

Liquidity / Maturity

The majority of the City's cash and investments portfolio is held as internally restricted and externally restricted cash reserves to satisfy the City's legislative responsibilities and to set aside specific funds for Council's funding commitments to the major initiatives within the Sustainable Sydney 2030 Community Strategic Plan, including the Green Square Town Centre and sustainable energy projects and the partial funding of the NSW State Government light rail project in George Street.

There are presently increased demands for funding of capital projects with the result that within the maturity profile of the investment portfolio there is a responsive shift of funds from the longer term to the short and medium terms.

To ensure the City has available funds to meet both these commitments and its short-term operational and capital cash commitments, the following liquidity targets are set in accordance with the Investment Policy.

Investment period	Cumulative Minimum % of total portfolio	Maximum % of total portfolio
1 month	10% or \$50M	100%
2 to 12 months	40%	80%
1 to 3 Years	55%	40%
3 to 5 Years	90%	35%
> 5 Years	100%	10%

The City's liquidity will be monitored on an ongoing basis to ensure the City's cash requirements are met and that liquidity parameters remain within allowable limits set out in the *Investment Policy*.

Return / Income

The City uses the following benchmarks to measure investment performance, in relation to both current month and 12-month rolling returns, against its return/income objectives:

- Bloomberg AusBond Bank Bill Index
- 30 day Bank Bill Rate.

The City aims to achieve returns equal to or above these benchmark rates for the period. However, this achievement remains secondary to the critical strategies of maintaining a prudent and conservative risk profile and in meeting Council's liquidity needs.

The City's current cash balances are applied in meeting immediate operational and capital commitments as well as future year's capital commitments. The City over the past few years took the opportunity to invest the funds that are required for future years into long term secure higher yielding investments before the interest rates relating to those investments began to decline. This strategy is one of the main reasons as to why the City currently delivers income returns in excess of the benchmark rates. However, this gap is continuing to narrow over time as these higher yielding investments mature and new investments are made at the currently offered lower yields.

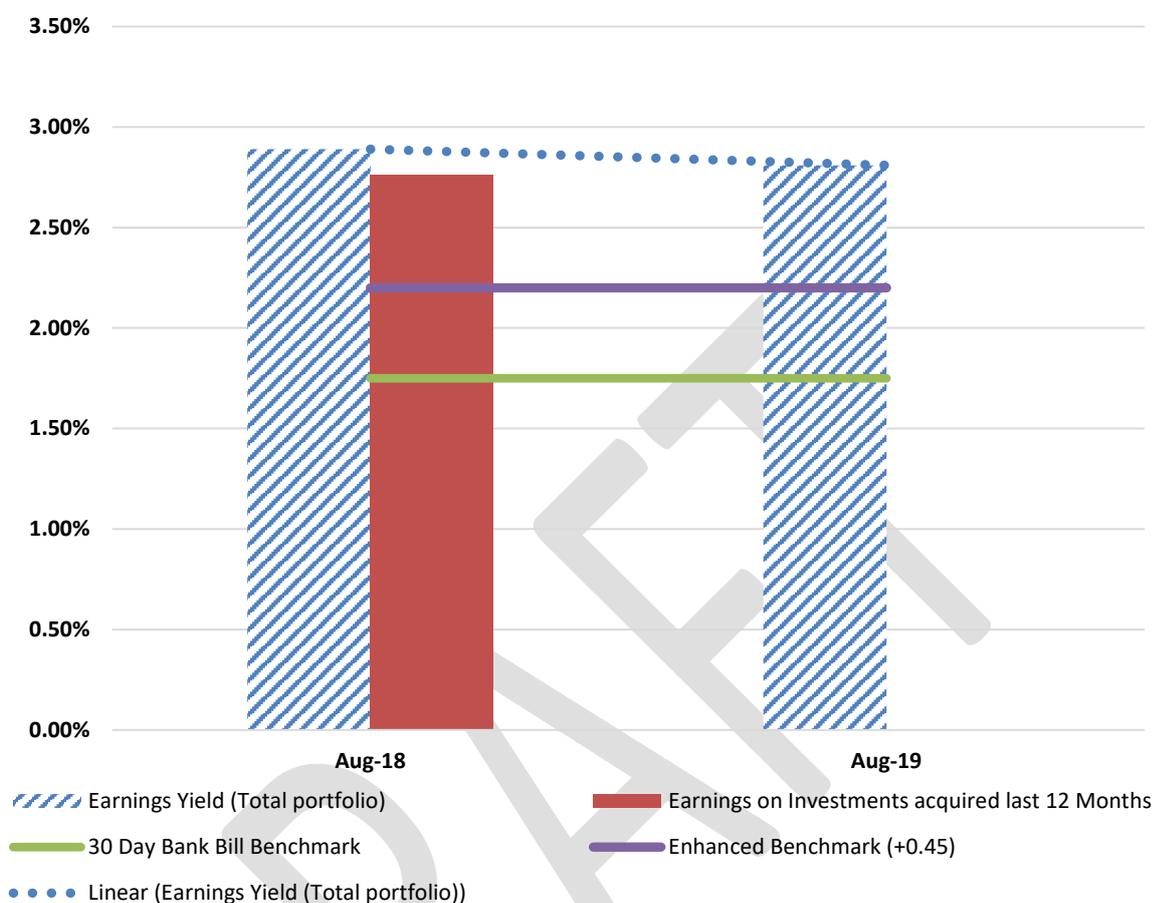
In 2015, the City introduced an additional strategic benchmark rate to measure its investment performance by exceeding the 30 day benchmark returns, at least by 45 additional basis points (0.45% p.a.). The 45 basis point increase was based on the average increased credit spreads (or margins) over bank bill rates on offer in relation to 30–90 day investments at the time. The 30-90 bank bill rates represented a reflective benchmark for investment if the risk of long-term investment at fixed rates and margins was removed from the portfolio.

Additionally, 2018 will present continued challenges to the City in delivering higher investment income returns, including the following:

- Interest rates continue to remain at low levels and expectations are that in the medium-term over the next 2 years they could remain at these levels.
- A small number of long-term investments that are locked in at higher rates offered in previous years continue to mature. As these funds can now only be reinvested at the current lower yields offered in the market, overall earnings will continue to fall.

The following chart illustrates how earnings yields are expected to reduce over the coming year as a result of the above factors. The narrowing of the gap between actual investment returns and the investment benchmarks is evident. Additionally, the chart also reflects the current lower earnings yield on investments acquired during the last 12 months when interest rates have been at historically low levels.

Portfolio Performance against Benchmarks Current and Projected 2018 to 2019



Unrealised Investment Gains

As previously mentioned, Council previously acquired a number of secure investments in the form of high yielding fixed and floating rate notes in anticipation of future declining interest rates.

A positive consequence of holding these secure high yielding investments is that once interest rates did go into decline, the market value of these investments rose since they were the only investments offering the higher interest yields. The increase in market value creates an unrealised investment gain which means that although there is a gain to be made on the investment, it can only be realised through a physical sale of the investment at its high market price. On the other hand, if the investment were instead held to maturity, the unrealised gain steadily reverses because the maturity value of the investment is its face value, not its market value. The flip side to this position is that if the investment were to be sold, the proceeds would then have to be reinvested in the investments currently on offer which are those earning much lower rates of return.

The question of whether to sell or hold an investment in such a situation has been resolved through a strategy that has been adopted for a number of years.

The strategy in managing significant unrealised investment gains is to compare the following amounts:

- If an investment with a significant unrealised investment gain was to be sold to realise the gain, its earning potential becomes the sum of (a) the unrealised gain now realised and (b) the estimated future interest earnings of the proceeds of sale up to the maturity date of the original investment sold. A key consideration is that since the unrealised gain was the result of a decline in interest rates, the interest yields on the reinvesting of the proceeds of sale will be less than the yields of the original investment up to the time of maturity of the original investment.
- If the investment with a significant unrealised gain was to be held to maturity it would mature at its face value with the result that the unrealised investment gain will reverse steadily to its maturity date. On the other hand, the investment will continue to earn interest income to maturity at yields that are higher than those currently available in the market.

Consequently, investments with significant unrealised gains will be retained in the portfolio unless A exceeds B where:

A = the sum of unrealised investment gain plus future interest earnings to maturity date at the lower interest yield

B = the total amount of the future interest to maturity at the current higher interest yield

The total unrealised investment gain at the end of 2017/18 was around \$1.3M.

In accordance with accounting standards, the unrealised investment gain and any subsequent increase or decrease in the amount is required to be recognised in Council's financial results. Consequently, if unrealised gains reverse as losses in the future, it means that these losses are more than offset by the interest income earned on those investments because of their respective higher interest rates.

Environmentally and Socially Responsible Investments

Council's ability to acquire environmentally and socially responsible investments within the current investment and policy environment remains limited, as:

- the structure of many of these investments remains prohibited under the current Ministerial Investment Order; and
- the global financial crisis caused significant declines in the valuation of the financial assets that comprise many of these investments.

Council will, however, continue to explore opportunities for supporting environmentally and socially responsible investments within these constraints. The investment climate is changing over time and Council notes that many large scale renewable projects are expected to evolve, which may offer sustainable investment opportunities in the future. Council will continue to encourage and give preference to these investments where they comply with the Ministerial Investment Order and satisfy Council's policy and investment objectives.

References

Laws and standards

- Local Government Act 1993
- Local Government (General) Regulation 2004
- Ministerial Investment Order
- Local Government Code of Accounting Practice and Financial Reporting
- Australian Accounting Standards
- Office of Local Government Circulars

Policies and procedures

- Investment Policy

Approval

The Council approved the Investment Strategy on 29 October 2018.

Review

Review period	Next review date	TRIM reference
The Code of Accounting Practice & Financial Reporting requires Council to undertake an annual review of its Investment Policy and Investment Strategy.	October 2019	

Item 5.

Green Square to Ashmore Connector Road - Property Acquisitions

File No: S128357

Summary

Over the last 20 years, the City has been acquiring land within the Green Square Urban Renewal Area (Green Square) for strategic future community facilities, recreational space and essential infrastructure, including roads and drainage. These lands and interests have been secured through varying approaches, including negotiated acquisitions, dedications through planning agreements and land dedications by developers through contributions under section 7.11 of the Environmental Planning and Assessment Act 1979.

One of the most notable essential infrastructure projects is the delivery of the central boulevard, Zetland Avenue, and the Eastern Transit Corridor, which form the vital transport spine through Green Square linking major community facilities and services. Along the corridor, the community will have easy access by foot, bike and public transport, including light rail, from the Green Square train station through to the Green Square Library and Plaza, The Drying Green, the Community and Creative Precinct in the former South Sydney Hospital site, Gunyama Park Aquatic and Recreation Centre, Joynton Park, Wulabha Park, Duyralya Square and Crystal Park in Waterloo.

About 80 per cent of the lands along this transport corridor have either been acquired by the City or have been dedicated to Council through developer contributions. The last two pieces of land, in the Epsom Park precinct, are expected to be dedicated within the next few years.

Complementing the provision of the above infrastructure projects is the City's acquisition of lands and construction of the Green Square to Ashmore Connector, an essential street to fulfil major connectivity and drainage functions. The new local street will run from Botany Road to Bourke Road in Alexandria and will provide a substantially more direct, safe and efficient east-west access between the Green Square town centre, Erskineville and the inner western suburbs than the current situation. It will provide for pedestrians, cyclists, future buses and delivery vehicles.

The street is critical to the economic viability of the town centre and enables a major component of the Green Square trunk drain augmentation from Epsom Road through to Alexandra Canal, which the City is constructing in partnership with Sydney Water. The need for this connecting street was first identified in the South Sydney Development Control Plan 1997, and is currently identified in the Sydney Development Control Plan 2012.

In October 2015, Council was given an update on property acquisitions for the Green Square to Ashmore Connector. Council endorsed the acquisition of the remaining lands required to construct the street.

This report provides a further update on property matters within the route of the Green Square to Ashmore Connector. Confidential matters are covered in Attachment B. The report seeks Council approval to progress the last of the acquisitions to enable staged early works for construction of the road to commence by mid-2019 and achieve formal opening in early 2021.

Recommendation

It is resolved that Council:

- (A) note the progress of delivery and implementation of the City's Green Square projects for community facilities, parks, streetscapes and public infrastructure, and in particular the progress and critical timeframes for delivery of the Green Square to Ashmore Connector;
- (B) note the progress on acquisitions to date and risk management to ensure essential property interests are secured to meet the City's objective of providing a new local road connection between Botany Road and Bourke Road, Alexandria, which is critical to the economic viability of the Green Square town centre;
- (C) approve the recommendations contained within confidential Attachment B to the subject report; and
- (D) delegate authority to the Chief Executive Officer to finalise all acquisitions and transfers with respect to 9 to 13, 15 and 22 O'Riordan Street, Alexandria, as contained within confidential Attachment B to the subject report.

Attachments

- Attachment A.** Green Square to Ashmore Connector - Draft Street Design Details
- Attachment B.** Green Square to Ashmore Connector Road Property Acquisitions (Confidential)

Background

1. The Green Square Urban Renewal Area (Green Square) represents \$13 billion of private development, around 30,500 new dwellings and employment for an estimated 22,000 people. The transformation of this former industrial area involves the delivery of about \$1.3 billion of new public infrastructure, in the form of new streets, parks, community and recreation facilities, drainage, water recycling and environmental improvements.
2. The timely delivery of infrastructure is critical to achieve the City's vision for Green Square to be an exemplar urban renewal project making a significant contribution to Sydney's sustainability. Delivery of infrastructure is particularly critical to the success of the Green Square town centre (the town centre) where drainage and flood management were repeatedly identified as major risks for its integrated redevelopment. Traffic access to the town centre from the west was assessed as critical to its commercial viability in various transport studies including the Green Square Transport Management and Accessibility Plans dated 2008 and 2012.
3. The City has taken a leadership role in the delivery of infrastructure, including land purchases and the forward funding of major projects to provide certainty about the vision for Green Square. Over the last 20 years, the City has been securing land for essential infrastructure and community facilities by way of negotiated acquisitions and dedications through planning agreements and contributions under section 7.11 of the Environmental Planning and Assessment Act 1979.
4. One of the most notable essential infrastructure projects is the delivery of the mass transit corridor, the Eastern Transit Corridor. The corridor connects the Green Square train station in the west and runs along the central boulevard, Zetland Avenue, in the town centre through to Defries and Gadigal Avenues in the eastern residential and retail precincts of Green Square towards Waterloo and East Redfern. The corridor forms the vital transport spine through Green Square which, when complete, will offer the community easy access by foot, bike and public transport, including light rail, to major community facilities and services along its length. Figure 1 shows the transport corridor and facilities along its length.
5. Along the corridor and within the town centre, the City has progressively acquired and received through developer dedications lands critical for the planned infrastructure. At the core of the town centre, the community now enjoys access to the City's Green Square Library and Plaza and the Community and Cultural Precinct in the repurposed historic buildings of the South Sydney Hospital complex. The precinct facilities include: the Joynton Avenue Creative Centre, with artist studios, gallery and workshop spaces; the 74-place Waranara Early Education Centre; the Banga Community Shed; and the Matron Ruby Grant Park with its associated playground and public art installation 'While I Live I Will Grow'. The Drying Green park, due for completion in 2020, and the Green Square Integrated Community Facilities and School which will open in 2023, will complete the extensive community assets within this precinct.
6. The Green Infrastructure Centre, in the former hospital administration building, houses Australia's largest residential stormwater harvesting scheme. Recycled water services were turned on in September 2018 and are being progressively rolled out as private and commercial developments in the town centre are being occupied.

7. The network of fine-grained streets in the town centre has been significantly expanded in the last 18 months. The recent opening of Geddes Avenue, the signalised intersection at Botany Road and the northern section of Paul Street which connects Ebsworth Street provide much improved access and permeability throughout, for bikes, pedestrians and local traffic. The City has recently commenced early works to construct sections of Zetland Avenue and along Joynton Avenue, to raise the road to address flooding in the area.
8. Along the Zetland Avenue corridor, to the east of Joynton Avenue opposite the town centre in the Epsom Park precinct, the City commenced construction of the Gunyama Park Aquatic and Recreation Centre in early 2018. The complex is due for completion by early 2020, and will contain indoor and outdoor pools, including a hydrotherapy pool, an all-weather multipurpose sports field and other recreation spaces. The City will also deliver the section of Zetland Avenue in this precinct, where it has access to the land. Where infrastructure land is tied up with existing uses the City continues to actively engage with landowners to seek early release of the land and strategically stage infrastructure delivery.
9. In the Lachlan precinct, north of O'Dea Avenue, a section of the Eastern Transit Corridor (Gadigal Avenue) is nearing completion. This section links the Victoria Park precinct south of O'Dea Avenue with Danks Street east to the north, and includes the pedestrianised traffic signals at the intersection of Lachlan Street and Gadigal Avenue, which are scheduled for completion in late 2019. The corridor is being delivered by the City in partnership with developers through planning agreements involving land dedications and works-in-kind.
10. Along this part of the corridor the community will have access from Joynton Park and the East Village retail precinct in Victoria Park through to Wulabha Park and the future Dyuralya Square in the Lachlan precinct. Dyuralya Square and the northern portion of the corridor are being delivered by the City on lands it acquired through negotiation. Completion is scheduled for late 2018.

Green Square to Ashmore Connector

11. Complementing the delivery of the above infrastructure projects is the City's acquisition of lands and construction of the Green Square to Ashmore Connector, an essential street to fulfil major connectivity and drainage functions. The street extends westwards from Geddes Avenue in the town centre, crosses Botany Road to meet O'Riordan Street, and continues to join Bourke Road where it links with Bowden Street. Figure 1 shows its location within the wider context and Figure 2 within the existing lot pattern.
12. The need for a connecting street was originally investigated in the Green Square Structural Masterplan 1997 and identified in the South Sydney Development Control Plan 1997: Urban Design. The Green Square Transport Management and Accessibility Plan dated 2008 and the revised draft dated 2012 further identified the proposed connector, in particular to improve transport access to the town centre. It is currently identified in the Sydney Development Control Plan 2012.
13. This new street will provide a substantially more direct, safe and efficient east-west access between the town centre, the Ashmore Precinct and the inner western suburbs than the current situation. It will include signalised crossings, footpaths and dedicated cycle lanes that will significantly improve safety for pedestrians and cyclists. The design allows for future buses, and commercial and delivery vehicles to use the route, which will reduce congestion and is critical to the economic viability of the town centre. Attachment A shows details of the proposed street design.



Figure 1. Green Square to Ashmore Connector - Context

14. The street provides the land for a major component of the Green Square trunk drain augmentation from Epsom Road through to Alexandra Canal, which the City is constructing in partnership with Sydney Water. The new corridor will provide an additional stormwater drainage relief route for underground pipes across Botany Road to Bourke Road, as well as overland flows passing through the town centre and onto Alexandra Canal in high intensity rainfall events. Figure 3 shows the trunk drain alignment in relation to the road alignment.

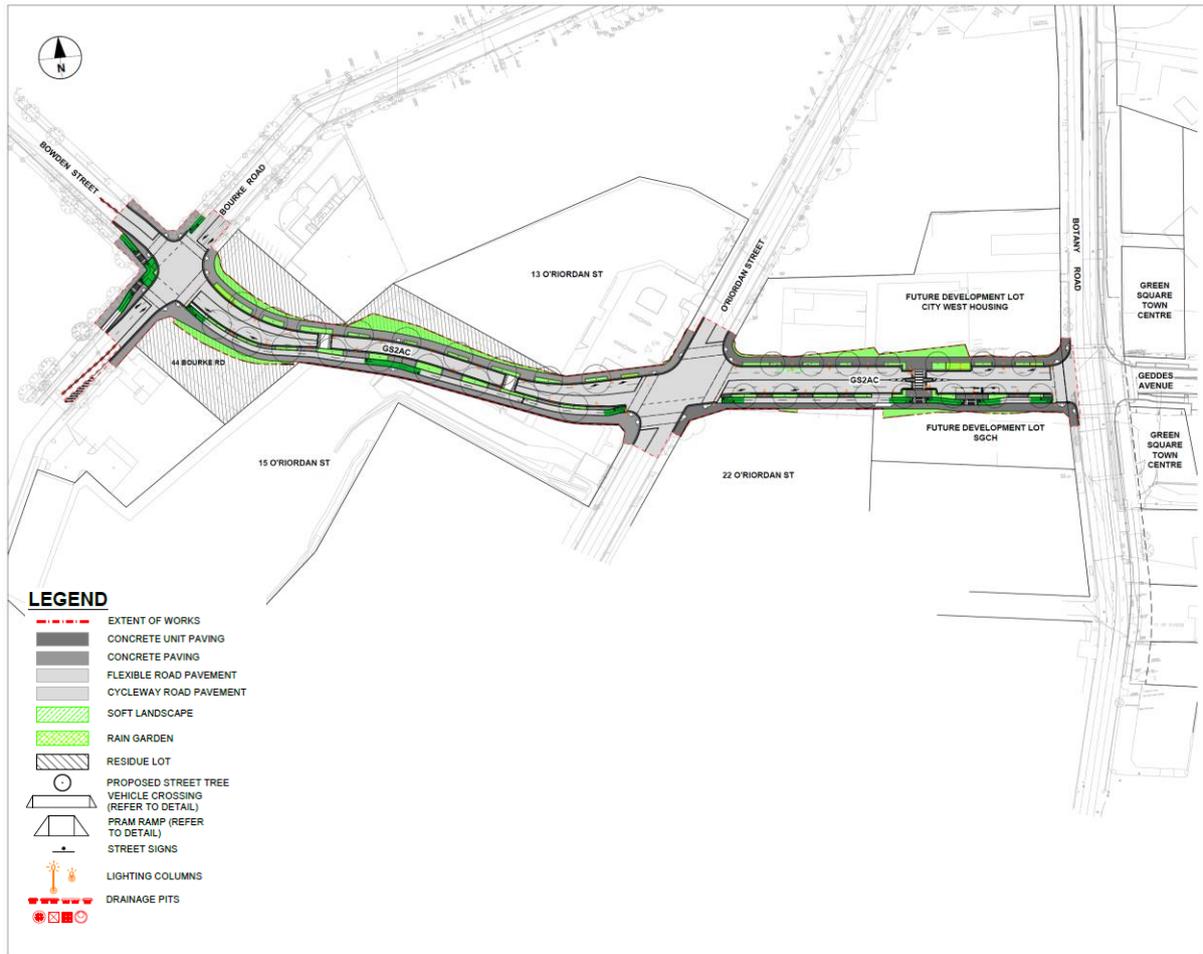


Figure 2. Proposed Green Square to Ashmore Connector - Location within existing lot pattern

15. Concept designs for the road were publicly exhibited as part of a Review of Environmental Factors. The exhibition ran from 21 November 2017 to 2 February 2018 and the City received 13 submissions from landowners, local residents and government agencies. The City is currently finalising the review of measures to mitigate potential impacts resulting from the delivery of the road.
16. The program going forward will involve a detailed design phase which the City is about to commence, to allow construction from late 2019 and formal opening in early 2021. An early works package for demolition, earthworks and remediation is anticipated to commence in stages from mid-2019.
17. The construction of the trunk drain along the section that aligns with the Green Square to Ashmore Connector was completed in early 2018.

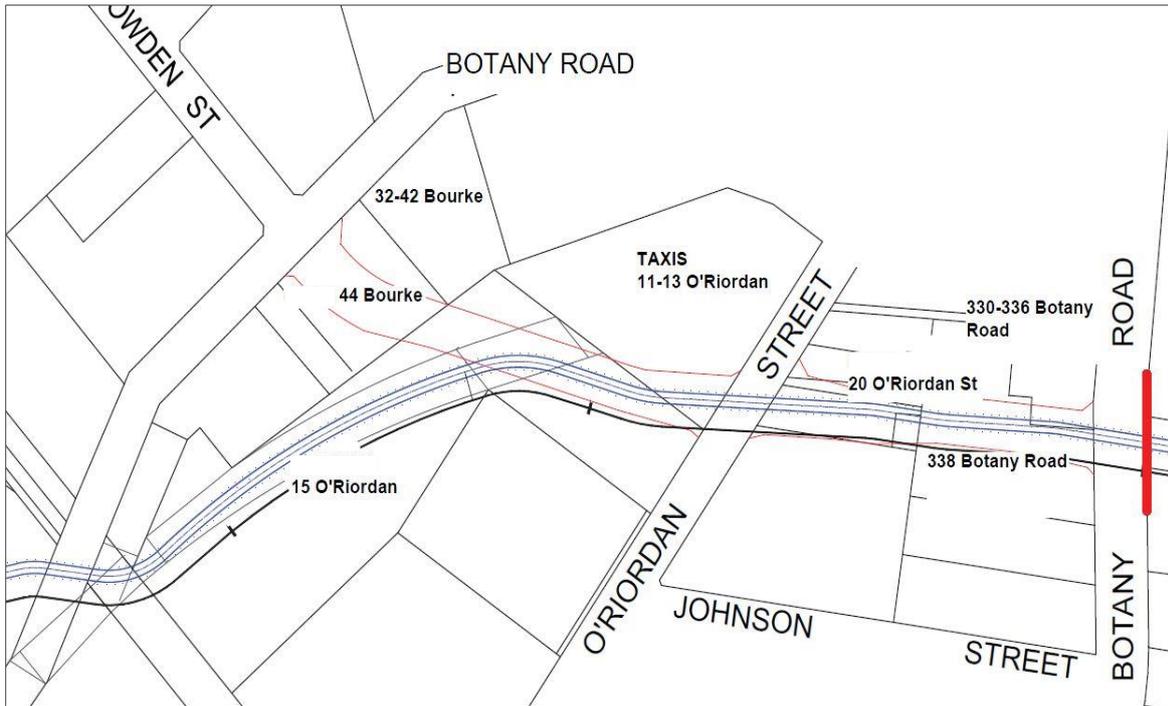


Figure 3. Green Square to Ashmore Connector alignment (single red line) and trunk drain route (blue double line)

Residual lands

18. An important ancillary outcome of the Green Square to Ashmore Connector project is the sale of adjacent land, residual to the road project, for new affordable and social housing.
19. Following Council approval in 2015, the City has offered the residue lands on the eastern portion of the road, between Botany Road and O'Riordan Street, to community housing providers at a significantly reduced price. Figure 2 shows these lands marked 'Future Development Lot'.
20. The sale is intended to secure in perpetuity around 300 affordable housing units and includes:
 - (a) sale of the southern residual lot to SGCH Portfolio Limited for \$8.08M to deliver approximately 100 units. The contract of sale was exchanged in August 2018 and construction is expected to commence upon completion of the new road; and
 - (b) sale of the northern residual lot for \$18M to City West Housing for the delivery of approximately 200 units. City West Housing is currently undertaking due diligence investigations before finalising contract negotiations. Construction is also expected to commence upon completion of the new road.

Property Acquisitions

21. In October 2015, Council was given an update on property acquisitions for the Green Square to Ashmore Connector. Council endorsed negotiating the acquisition of interests required to implement the road and noted once these negotiations were concluded, they would be reported to Council for consideration.
22. To date, the City has acquired the majority of the property interests necessary to implement the road section between Botany Road and O’Riordan Street.
23. Within this section, a small portion of about 40 square metres of the property at 22 O’Riordan Street, Alexandria, remains to be acquired. The City has been negotiating with the landowner since 2017. Confidential Attachment B recommends Council endorse the acquisition as per the terms negotiated with the landowner.
24. Between O’Riordan Street and Bourke Road, the City has acquired some of the land required (44 Bourke Road, Alexandria) and continues to negotiate with two landowners to fulfil the land requirements needed for implementation. The two properties subject to negotiations (shown at Figure 2) are described below.
 - (a) 15 O’Riordan Street, Alexandria
 - (i) The City has been negotiating with the landowner since 2015. The terms of the agreement negotiated include the City’s acquisition of approximately 3,500 square metres of the site, including land for the road reserve and a severed residue lot to the north. As part of the compensation package, the City intends to offer to the landowner the transfer of approximately 1,500 square metres from Council’s property at 44 Bourke Road, comprising the residue lot to the south of the proposed road reserve. These residue lots are shown at Figure 2.
 - (ii) The negotiations also include agreement for the landowner to grant a licence to the City for access for construction and storage purposes associated with the delivery of the Green Square to Ashmore Connector.
 - (b) 9 to 13 O’Riordan Street, Alexandria
 - (i) The City has been negotiating with the landowner since 2015 on the stormwater easement and since 2017 on the land required for the road reserve. The acquisition required for the road reserve is approximately 520 square metres, around 10 per cent of the site. The required land is on the south-eastern portion and affects an existing driveway and a small area of a warehouse roof overhang which requires demolition.
 - (ii) As part of the compensation package, the City intends to offer to the landowner the transfer of the residue lot to the north of the road reserve severed from the property at 15 O’Riordan Street.
25. Acquisition of land for the Green Square to Ashmore Connector is essential to achieve the City’s delivery objectives. Staged early works including demolition, earthworks and remediation is anticipated to commence in mid-2019 to ensure formal opening of the road in early 2021.

26. Confidential Attachment B provides details on progress of negotiations on the above three properties, including the history of negotiations, offers made and the respective position on the compensation value of each party. It further seeks Council consent to finalise the negotiated agreements for the acquisitions as described above, and if necessary, request the Minister's approval to proceed and if approved by the Minister, proceed to a compulsory process under the Land Acquisition (Just Terms Compensation) Act 1991.

Key Implications

Strategic Alignment - Sustainable Sydney 2030 Vision

27. 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. The property acquisitions to deliver essential infrastructure including the Green Square to Ashmore Connector are aligned with the following strategic directions and objectives:
- (a) Direction 3 - Integrated Transport for a Connected City - The Green Square to Ashmore Connector aims to improve connectivity between the town centre, the Ashmore Precinct and the inner western suburbs. It will make the new facilities and services in the town centre and the wider Green Square more easily accessible by foot, bike and public transport.
 - (b) Direction 9 - Sustainable Development, Renewal and Design - The Green Square to Ashmore Connector will fulfil significant connectivity and drainage functions that will contribute to the sustainable renewal of Green Square. It will provide a finer grain street pattern, improve east-west permeability, relieve traffic congestion, improve access to and from the town centre, and provide a safer and more efficient route for pedestrians, bikes and public transport.

Risks

28. Risks related to property acquisitions are discussed in Confidential Attachment B.

Social / Cultural / Community

29. The Green Square to Ashmore Connector will provide a substantially more direct, safe and efficient east-west access. The local street will offer the communities to the west of the town centre easier access to the multiple civic and recreation facilities the City is delivering within and around the town centre.

Economic

30. The Green Square to Ashmore Connector will allow for buses, commercial and delivery vehicles to use the route, which will reduce congestion; this is critical to the economic viability of the town centre.
31. Potential economic impacts on affected landowners that may be derived from the road are discussed in Confidential Attachment B.

Budget Implications

32. There are provisions included in the City's Long Term Financial Plan for property acquisition and disposal of the relevant sites.
33. The future construction works are funded within the City's 10 year capital works budget.

Relevant Legislation

34. Should negotiated agreements not be able to be reached with the owners of any of the three parcels of land, if approved by the Minister, Council may compulsorily acquire the required lands under the Local Government Act 1993, the Local Government (General) Regulation 2005 and the Land Acquisition (Just Terms Compensation) Act 1991.
35. Attachment B to the subject report contains confidential commercial information of Council's negotiation strategy and relevant landowners which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) confer a competitive advantage on a competitor of Council.
36. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its rate payers.

Critical Dates / Time Frames

37. Acquisition timeframes are discussed in Confidential Attachment B to the subject report.
38. A staged early works package for demolition, earthworks and remediation for the Green Square to Ashmore Connector is anticipated to commence in mid-2019. Main construction works are expected to commence from December 2019. The anticipated completion of the road is early 2021.

Public Consultation

39. The City has, for a number of years, been in negotiations with the landowners of the three remaining sites for acquisition of the portions of their lands required for the delivery of the Green Square to Ashmore Connector.
40. The need for an east-west connecting street as a significant part of the street network has since 1997 been considered in the planning for Green Square, including the town centre. It was first identified in the South Sydney Development Control Plan 1997: Urban Design, and is currently identified in the Sydney Development Control Plan 2012. Public consultation on the Green Square planning controls and supporting documents as amended from time to time has occurred over the last two decades during the preparation of these documents.

41. The City's plans for delivery of the Green Square to Ashmore Connector are also publicly reported, in particular through the Green Square updates which are reported annually to Council and the City's annual integrated planning and reporting requirements set by the NSW Government.
42. The planning approval pathway for the delivery of the Green Square to Ashmore Connector is being undertaken under Part 5 of the Environmental Planning and Assessment Act 1979. A Review of Environmental Factors was publicly exhibited from 21 November 2017 to 2 February 2018. The City received 13 submissions as a result of the public exhibition, including submissions from landowners, local residents and government agencies.
43. Following the review of submissions received on the public consultation, the City is reviewing the mitigation measures to address potential impacts associated with the delivery of the road.
44. Council is not required to undertake public consultation in respect of acquisitions, nor in the exercise of its statutory power for compulsory acquisition.

KIM WOODBURY

Chief Operating Officer

Lila Contziu, Manager Green Square Place Making

Nicholas Male-Perkins, Commercial Manager

Attachment A

**Green Square to Ashmore Connector
Draft Street Design Details**

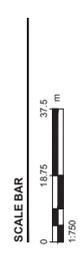
CLIENT



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LEGEND

- EXTENT OF WORKS
- CONCRETE UNIT PAVING
- CONCRETE PAVING
- FLEXIBLE ROAD PAVEMENT
- CYCLEWAY ROAD PAVEMENT
- SOFT LANDSCAPE
- RAIN GARDEN
- RESIDUE LOT
- PROPOSED STREET TREE
- PROPOSED STREET LIGHTS (REFER TO DETAIL)
- PRAM RAMP (REFER TO DETAIL)
- STREET SIGNS
- LIGHTING COLUMNS
- DRAINAGE PITS



ISSUE/REVISION

IR	DATE	DESCRIPTION
01	08.10.17	CONCEPT DESIGN

KEY PLAN

PROJECT NUMBER
60300384

SHEET TITLE
PACKAGE 6

GENERAL ARRANGEMENT
PLAN

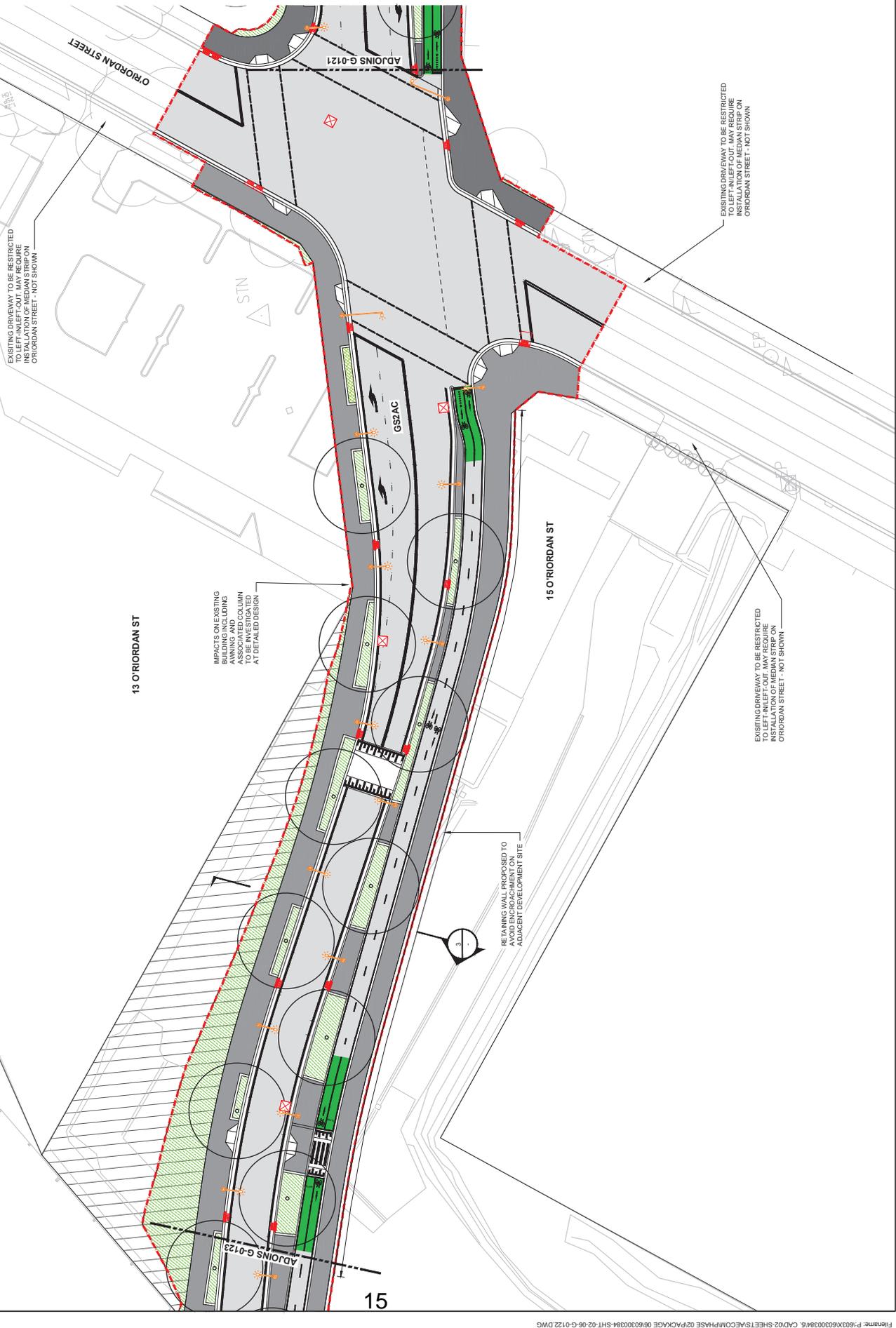
SHEET 1

SHEET NUMBER
REV
60300384-SHT-02-06-G-0101 01



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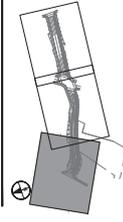
- PLANTING SYMBOLS REPRESENT MATURE SPREAD OF TREE SPECIES.
- PLANTERS ARE SHOWN TO BE WITH SURFACE ADJACENT TO THE ROADWAY. PLANTING ON ADJACENT SITES WILL LIKELY AVOID THE NEED FOR BATTERS.
- EXTENT OF TIE-IN AND RESURFACING WORKS ON EXISTING ROADS IS INDICATIVE ONLY AND REQUIRES FURTHER ASSESSMENT DURING THE PRELIMINARY DESIGN PHASE.
- TREE POSITIONS TO BE CONFIRMED AGAINST SITE LINES TO SIGNALS.



	EXTENT OF WORKS
	CONCRETE UNIT PAVING
	CONCRETE PAVING
	FLEXIBLE ROAD PAVEMENT
	CYCLEWAY ROAD PAVEMENT
	SOFT LANDSCAPE
	RAIN GARDEN
	RESIDUE LOT
	PROPOSED STREET TREE
	PROPOSED STREET LIGHTS (REFER TO DETAILS)
	PRAM RAMP (REFER TO DETAIL)
	STREET SIGNS
	LIGHTING COLUMNS
	DRAINAGE PITS



IR	DATE	DESCRIPTION
01	08.10.17	CONCEPT DESIGN



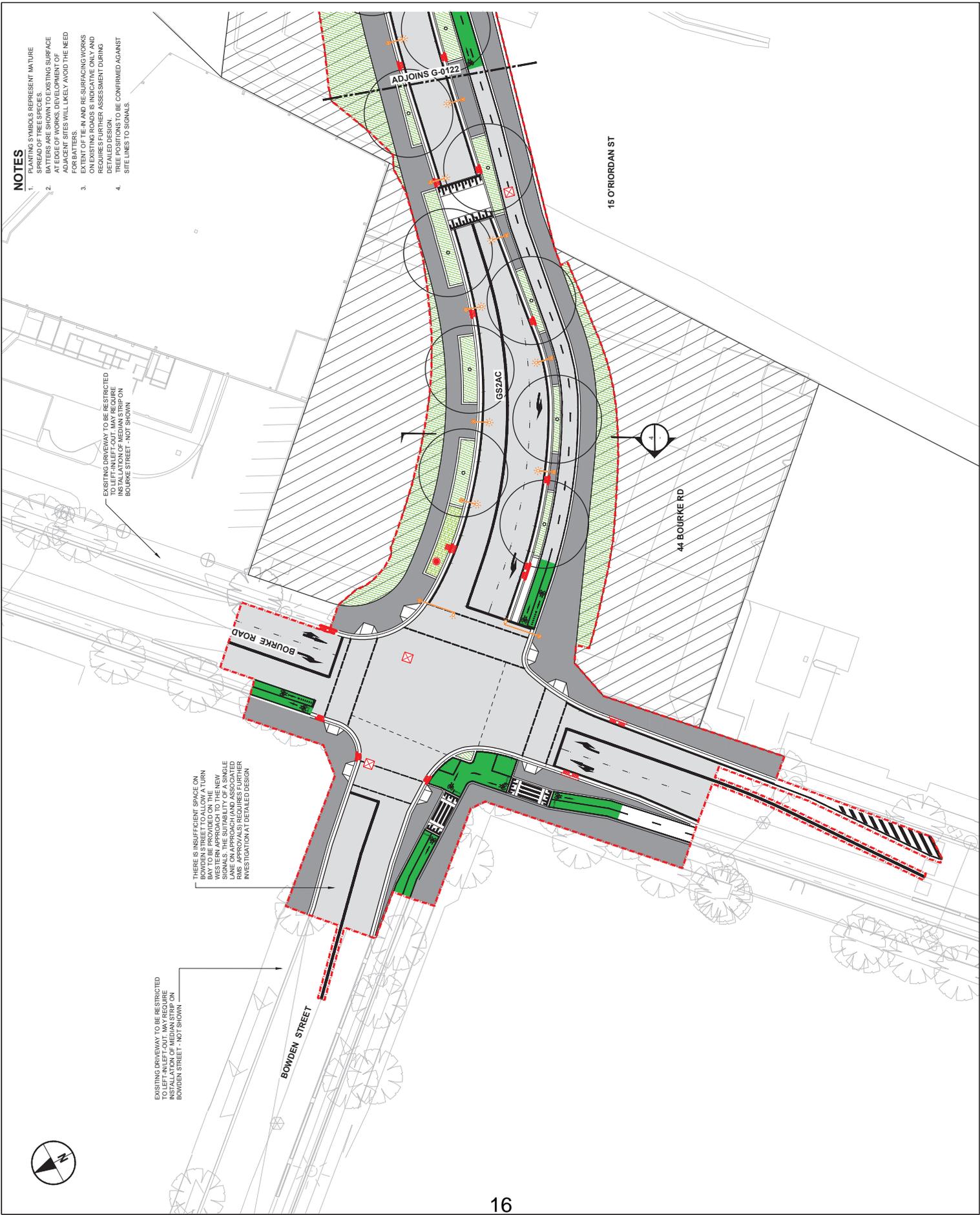
NOTES

- PLANTING SYMBOLS REPRESENT MATURE SPREAD OF TREE SPECIES.
- PLANTING AREAS SHOWN TO BE WITHIN SURFACE AT THE TIME OF DESIGN. PLANTING OF ADJACENT SITES WILL LIKELY AVOID THE NEED FOR BATTERS.
- EXTENT OF TIE-IN AND RE-SURFACING WORKS ON EXISTING ROADS IS INDICATIVE ONLY AND REQUIRES FURTHER ASSESSMENT DURING TREE POSITIONS TO BE CONFIRMED AGAINST SITE LINES TO SIGNALS.

EXISTING DRIVEWAY TO BE RESTRICTED TO LEFT-IN/LEFT-OUT. MAY REQUIRE SIGNAGE AND TIE-UP ON BOURKE STREET - NOT SHOWN.

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EXISTING DRIVEWAY TO BE RESTRICTED TO LEFT-IN/LEFT-OUT. MAY REQUIRE SIGNAGE AND TIE-UP ON BOWDEN STREET - NOT SHOWN.



Document is Restricted

Item 6.

Exemption from Tender - Variation to Existing Consultancy Services Contract for Green Square Town Centre Essential Infrastructure and Public Domain

File No: S105606

Tender No: 1299

Summary

This report seeks approval to vary the contract for consultancy services for additional design works for Green Square Town Centre Essential Infrastructure and Public Domain.

On 29 April 2013, Council resolved to award the tender to AECOM Australia Pty Ltd to provide consultancy services for the design and certification of Green Square Town Centre Essential Infrastructure.

During the period of design consultancy services, there have been a number of events that have generated additional works under the contract, including additional scope design works, studies and consultant services undertaken for areas and streets interfacing with the original contract area.

This report recommends that Council vary the contract for the existing consultancy services with AECOM for Green Square Town Centre Essential Infrastructure and Public Domain.

Recommendation

It is resolved that:

- (A) Council approve a variation to the existing contract with AECOM Australia Pty Limited to include additional scope relating to the following:
 - (i) Green Square to Ashmore Connector Conceptual Design and Associated Studies;
 - (ii) Zetland Avenue East design package and associated studies, report documents and specifications;
 - (iii) Portman Lane, Navins Lane and Merton Street Upgrade Construction Stage Documentation - part of the Town Centre Interface Works Project; and
 - (i) interface issue resolution with adjoining projects including Gunyama Park Aquatic and Recreation Centre and South Sydney Hospital Site projects - predominantly part of the Joynton Avenue Upgrade (Hansard to Elizabeth Street) Project;
- (B) authority be delegated to the Chief Executive Officer to negotiate, and enter into any documentation required to vary the existing contract relating to consultancy services for Green Square Town Centre Essential Infrastructure and Public Domain; and
- (C) Council endorse the contract budget as allocated in Confidential Attachment A to the subject report.

Attachments

- Attachment A.** Certified Financial and Contractual Implications to the Existing AECOM Services Contract - Green Square Town Centre Essential Infrastructure and Public Domain (Confidential)

Background

1. The Green Square Town Centre is primarily located in the suburb of Zetland and covers an area of 13.74 hectares, including land bounded by Botany Road, Bourke Street, Portman Street, Portman Lane, Joynton Avenue, Hansard Street and Tosh Lane.
2. This project is part of the City's Green Square Town Centre development program, which is the heart of the Green Square urban renewal area. The Green Square renewal area, incorporating the suburbs of Zetland, Beaconsfield and parts of Roseberry, Alexandria and Waterloo, is located within the most important economic corridor in the country.
3. On 29 April 2013, Council resolved to award the tender to AECOM Australia Pty Ltd to provide consultancy services for the design and certification of Green Square Town Centre Essential Infrastructure. The scope of works included design of Ebsworth Street, Barker Street, Tweed Place, Fellmonger Place, Hinchcliffe Street, Woolpack Street, Geddes Avenue, Paul Street, Sonny Leonard Street, Tosh Lane, Portman Street, Zetland Avenue, Joynton Avenue and Botany Road. During the period of design consultancy services, the following additional works have been identified and are added to the original scope:

- (a) Green Square to Ashmore Connector conceptual design and associated studies

At the time of AECOM's engagement, the Green Square to Ashmore Connector Road project had not yet commenced. A need emerged to commence road alignment works to enable the ongoing land subdivision and purchase considerations. The design needed to be consistent with aspects of the Green Square Town Centre street design, and it is therefore deemed appropriate to engage AECOM to carry out this work.

- (b) Zetland Avenue East design and certification package and associated studies

During the Development Application stage of the Gunyama Park Aquatic and Recreation Centre (GPARC), the main entrance into the facilities on Zetland Avenue East required further design development to allow for a drop-off/pick-up zone, loading zone, in lane bus stop, accessible parking provisions and vehicular access. Consequently additional design works to Zetland Avenue East were required to allow integration with GPARC along the northern boundary. This additional scope was added to AECOM's scope of works as they developed the designs for Zetland Avenue.

- (c) Portman Lane, Navins Lane and Merton Street Upgrade construction stage documentation - part of the Town Centre Interface Works project

Through the development of Green Square, and during ongoing consultations with the community, it became evident that the level of activation on the Town Centre interface roads was increasing. The laneways to the north of the Town Centre were at the end of their service life and design works were required to ensure a safe usable solution for the community was achieved. These neighbouring streets were added to the scope to ensure concurrent upgrade of adjoining streets with the Town Centre.

- (d) Interface issue resolution with adjoining projects including GPARC and South Sydney Hospital site projects - predominantly part of the Joynton Avenue Upgrade (Hansard to Elizabeth Street) Project

Design development and staging of works along Joynton Avenue is particularly challenging. The staging of works need to ensure that adjoining private developers, at different stages of development, must make adequate provision for stormwater and other underground services with accurate interface with Joynton Avenue. Noting that the street itself is undergoing significant re-design and level raising at the same time. In addition, the City's two major projects, namely South Sydney Hospital site and Gunyama Park Aquatic and Recreation Centre, have significant frontage along Joynton Avenue and both needed sophisticated design and staging advice to allow integration with the future state of the Joynton Avenue. AECOM is best placed to provide staging and design advice on the progression of this site.

4. Along with these additional work requirements, significant latent conditions were encountered across the site which have contributed to an increase in the design service works and delivery support requirement. The ground conditions underlying the site had either/or insufficient bearing capacity, saturated soils / high water table, unrecorded utilities and contaminated finds.
5. The scope of service requires the consultant to develop the infrastructure and public domain design, and prepare the detailed design and construction documentation for all works related to the project.

Performance Measurement

6. AECOM Australia Pty Ltd design consultancy has consistently scored highly in mandatory performance reviews.

Financial Implications

7. There are sufficient funds allocated in the project under the current budgets and future year's forward estimates.

Relevant Legislation

8. Attachment A contains confidential commercial information which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
9. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

10. Program Key Milestones:

- (a) Design Documentation and Support present to early 2019
- (b) Construction Stage Services present to early 2020

Risk

11. The impacts of not proceeding with the currently engaged design consultancy services would result in the following:

- (a) loss of existing project knowledge and less value for money – the design services can be provided by a supplier already engaged on the specific project. The continuum of service will provide value for money through the retention of existing project knowledge and experience, gained over the past five years of project service; and
- (b) delay in the rate of delivery and programme synergy for the street design documentation, construction works delivery and thus key project milestones – currently, the rate of streets design delivery is in synergy with overall staging programmes for both private and public realms. Any design consultant service delays would contribute to time variances and result in programme delays and project construction cost increases.

AMIT CHANAN

Director City Projects and Property

Dean Arnold, Design Manager

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

Document is Restricted

Item 7.

Pemulwuy Project - Final Land Transfer and Variation of Deed to the Aboriginal Housing Company

File No: S072236.007

Summary

The Aboriginal Housing Company Limited, a not-for-profit organisation, plans to redevelop the area known as “the Block” in Redfern. The Pemulwuy Project site comprises 15,638 square metres of mixed use including affordable housing, commercial, retail, cultural, and community uses and public domain.

On 20 August 2012, Council resolved in principle to support the transfer of land to the Aboriginal Housing Company Limited, subject to finalisation of an appropriate deed with the Aboriginal Housing Company Limited. The Chief Executive Officer was appointed the delegated authority to settle the terms of that deed. This Pemulwuy Project Deed, as shown at Attachment A, was entered into by the City and the Aboriginal Housing Company Limited on 31 May 2013 (the Deed).

This Deed requires the Pemulwuy Project to be “Substantially Progressed” by the “Agreed Date” which is defined as 21 December 2017. The Aboriginal Housing Company Limited has confirmed that the Project is well progressed having received Department of Planning approvals and Construction Certificate for demolition works. It should be noted that the “Substantially Progressed” condition as defined under the Deed is unlikely to be met as although demolition works have been undertaken, construction has not yet commenced.

On 11 December 2017, Council resolved to enter into a Deed of Variation to the Pemulwuy Project Deed with the Aboriginal Housing Company Limited to effect a 12 month extension to the date specified as the Agreed Date from 21 December 2017 to 21 December 2018.

It has recently been discovered that a 6.0 square metre portion (the splay corners) of Eveleigh Lane, known as Lot 1 in DP1177664, as shown at Attachment B (the Splays), was not included in the land transferred to the Aboriginal Housing Company Limited, nor was this land referenced in the Deed. The intention of both the City and the Aboriginal Housing Company Limited was that the Splays were to be included in the land to be transferred to the Aboriginal Housing Company Limited as it formed part of the former Eveleigh Lane.

This report seeks approval to transfer Lot 1 in DP 1177664, referred to in this report as the Splays, to the Aboriginal Housing Company Limited. The transfer will be documented by way of a further Deed of Variation to the Deed (Second Variation Deed), so that Lot 1 in DP 1177664 is included in the definition of the “Laneway Land” as was the original intention of the parties.

The Aboriginal Housing Company Limited has informed the City that it is expecting to commence construction in late November/early December of this year, and has requested a further 12 month extension to the date specified as the Agreed Date from 21 December 2018 to 21 December 2019.

This report also seeks approval to for the City to effect the 12 month extension to the date specified as the Agreed Date, such extension to be effected in the Second Deed of Variation.

Recommendation

It is resolved that:

- (A) Council transfer a 6.0 square metre portion (the splay corners) of Eveleigh Lane, known as Lot 1 in DP1177664, to the Aboriginal Housing Company Limited for the nominal sum of \$10.00; and
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer a Deed of Variation of the Pemulwuy Project Deed with the Aboriginal Housing Company Limited for the purpose of:
 - (i) amending the date specified as the "Agreed Date" from 21 December 2018 to 21 December 2019;
 - (ii) including Lot 1 in DP 1177664 as part of the "Laneway Land", to document the transfer of this land to the Aboriginal Housing Company Ltd; and
 - (iii) including DP 117664 as an annexure.

Attachments

- Attachment A.** Existing Pemulwuy Project Deed
- Attachment B.** Pemulwuy Project Plan
- Attachment C.** Location Plan (Splay Corners)
- Attachment D.** Deed of Variation Pemulwuy Project
- Attachment E.** Deposited Plan Administration Sheet - DP1177664
- Attachment F.** Deposited Plan Administration Sheet - DP1163669
- Attachment G.** Certificate of Title - Lot 1 DP1177664
- Attachment H.** Resolution of Council - Dated 20 August 2012

Background

1. The Aboriginal Housing Company Limited, a not-for-profit organisation, plans to redevelop the area known as the Block in Redfern. The Pemulwuy Project site comprises 15,638 square metres of mixed used including affordable housing, commercial, retail, cultural, and community uses and public domain, as shown on the Precincts Plan at Attachment B.
2. On 20 August 2012, Council resolved in principle to support the transfer of land to the Aboriginal Housing Company, subject to finalisation of an appropriate deed with the Aboriginal Housing Company. The Chief Executive Officer was appointed the delegated authority to settle the terms of that deed. This deed was finalised and entered into on 31 May 2013.
3. The deed formally commits the City to the transfer of a portion of Caroline Lane and Eveleigh Lane, being Lot 1 in DP1163669, and seven small parcels of land, to the Aboriginal Housing Company, allowing the delivery of the Pemulwuy Project.
4. The Department of Planning and Infrastructure granted Project Approval to the Pemulwuy development on 21 December 2012, giving the Aboriginal Housing Company consent to redevelop the area into three precincts, including culturally appropriate and accessible housing.
5. On 21 December 2012, development approval was given for the 'Pemulwuy Project'. The development was to upgrade 'the Block'. The site was to be divided into 3 precincts:
 - (a) Precinct P1:
 - (i) the construction of a two (2) / part six (6) storey mixed-use building containing 62 dwellings, retail/commercial space, gymnasium/fitness centre space, car park accommodating a total of 115 spaces; and
 - (ii) the provision of 865m² of publicly accessible open space;
 - (b) Precinct P2: the construction of a two (2) / part three (3) storey mixed-use building, containing a retail/commercial space and a 60 place childcare centre; and
 - (c) Precinct P3: the construction of a three (3) / part six (6) storey mixed-use building containing a retail/commercial space, a gallery and student housing accommodating a total of 154 beds in 42 units.
6. In May 2013, the City entered into a deed at Attachment A, with the Aboriginal Housing Company Limited for the 'Pemulwuy Project', being the re-development of 'the Block' in Redfern. The deed was subject to key elements of the development being delivered. These include:
 - (a) affordable housing - Precinct 1;
 - (b) childcare - Precinct 2;
 - (c) gallery - Precinct 3; and
 - (d) public open space - Precinct 1.

Land Transfers

7. The deed also agreed the transfer of City land (including the former Pemulwuy Park, Eveleigh Lane and Caroline Lane) for a sum of \$20.00 to facilitate the redevelopment of 'the Block'. This land has since been re-classified, closed and transferred as per the requirements of the deed.
8. Subsequently and pursuant to section 9.3 of the deed, the City registered a Caveat on the subject land on 16 July 2014. This caveat was registered to ensure that any development of this land would deliver affordable housing. The delivery of affordable housing was questioned by the Aboriginal Housing Company Limited and their investors due to the lack of financial capacity to deliver the project, based on their current proposal for the site.
9. In December 2016, the Aboriginal Housing Company Limited lodged a Request for Secretary's Environmental Assessment Requirements (SEAR) with the Department of Planning and Environment, seeking a modification to Precinct 3. The modifications include:
 - (a) increasing the student accommodation from 154 beds in 42 units to 522 accommodation units;
 - (b) increasing the height of the building from a maximum of six storeys to 16; and
 - (c) increasing the floor space from 2.3:1 to 7.16:1.
10. The City made a submission to the Department of Planning and Environment on the latest application. Councillors were briefed in October 2017 prior to the submission being sent and received a copy of the submission.
11. In accordance with the existing Pemulwuy Project Deed, as shown at Attachment A, the land transfers have been completed with the transfer of the "Open Space Land" and the "Laneway Land", being Lot 1 in DP 1163669 for a nominal payment of \$10.00 for the "Laneway Land" and \$10.00 for the "Open Space Land".
12. It has recently been discovered that a 6.0 square metre portion (the splay corners) of Eveleigh Lane, known as Lot 1 in DP1177664, as shown at Attachment H, was not included in the land transferred to the Aboriginal Housing Company Limited, nor was this land referenced in the Pemulwuy Project Deed.
13. It has always been the City's intention to transfer these splay corners, as they formed part of the former Eveleigh Lane, which was resolved to be transferred for a nominal sum of \$10.00, as shown in the Resolution of Council, dated 20 August 2012 at Attachment E. These splay corners should be included in the description of the "Laneway Land" in the definitions section within the Pemulwuy Project Deed, as shown at Attachment A.
14. Upon review of the Resolution of Council, dated 20 August 2012 and pertaining to the Pemulwuy development, it is considered that a deed of variation amending the Pemulwuy Project Deed to include Lot 1 in DP 1177664 as a part of the "Laneway Land" will enable this small portion of land to be transferred to the Aboriginal Housing Company, thus completing all of the intended land transfers associated with this Project.

15. Council is requested to formally endorse the variation of the existing Pemulwuy Project Deed to include Lot 1 in DP 1177664 as a part of the "Laneway Land", as defined in the existing Pemulwuy Project Deed, and to note that it is intended to transfer this land to the Aboriginal Housing Company Limited as part of the Laneway Land, resolved by Council on 20 August 2012 to be transferred for a nominal sum of \$10.00.

Project Commencement

16. On 14 March 2017, a letter was received from the Aboriginal Housing Company Limited updating the Redfern community and the City about their new funding model and proposed amendments to the 'Pemulwuy Project'.
17. The delays to this project have been directly related to the Aboriginal Housing Company Limited's financial capacity to undertake this project. These financial challenges are due to insufficient funding from various government authorities. The former project relied heavily on government assistance. The appointment of KPMG as a financial consultant and the development of the new proposal ensures the project is economically viable, without reliance on government funding.
18. Whilst the proposed amendments to Precinct 3 are substantial and have considerable planning implications, the proposed amendments do not largely change the key elements for consideration within the deed. This project will still deliver affordable housing, the gallery, open space (including roads and plaza) and child care. Note: the gallery was originally located in Precinct 3 and is now located in Precinct 1 (the Block) and aligns common space that connects all three precincts.
19. In November 2017, Property Services met with the Aboriginal Housing Company Limited to undertake a review of the Pemulwuy Project Deed and discuss compliance with the Agreed Date of 21 December 2017.
20. The Pemulwuy Project Deed requires the Aboriginal Housing Company Limited to have "Substantially Progressed" the Pemulwuy project by the Agreed Date, as follows:
 - (a) all approvals and authorisations reasonably necessary for the construction of the first stage of the Pemulwuy Project have been granted;
 - (b) the Aboriginal Housing Company Limited has entered into a construction contract for the construction of at least the first stage of the Pemulwuy Project; and
 - (c) construction work has commenced on the Pemulwuy Project Site.
21. The Aboriginal Housing Company Limited has confirmed the following in response to the above "Substantially Progressed" conditions:
 - (a) June 2017 - Section 75W to modify Precinct 3 submitted to Department of Planning and correspondence received from Department of Planning requesting further information as a result of Public Exhibition of S75W;
 - (b) June 2017 - Construction Contract updated and entered into with Diecorp; and
 - (c) construction has not yet commenced, however, in October 2017, demolition of Murawina Building in Precinct 3 was completed and in November 2017, demolition commences of the Precinct 2 building.

- (d) October 2018 - Construction Certificate documentation for Precinct 1's (affordable housing) bulk earthworks and shoring details are near completion with sign off scheduled for late October 2018 and onsite construction works programmed to commence in November 2018.
22. In September 2018, the City met with the Aboriginal Housing Company Limited and their developer, Deicorp, to seek an update on the status of the Pemulwuy Project. The Aboriginal Housing Company Limited confirmed that while they are fully committed to commencing construction on the Pemulwuy Project this year, they are seeking a further extension of 12 months of the Agreed Date - ie from the current date of 21 December 2018 to 21 December 2019 based upon the following matters beyond the control of both the Aboriginal Housing Company Limited and project developer Deicorp:
- (a) Department of Planning advised that the final DA and modification condition documentation will be sent to PAC in early October with a determination expected in late November;
- (b) The Elouera Tony Mundine Gym (located in the future Affordable Housing Precinct 1) is currently the training base for an Ex World Champions Boxing Event participant, Anthony Mundine. The boxing event is scheduled to take place in late November, which results in the gym demolition being pushed out to December 2018; and
- (c) the 2018/2019 festive season results in the shutdown of the construction industry.

Key Implications

Strategic Alignment - Sustainable Sydney 2030 Vision

23. The Pemulwuy Project plans to revitalise the area formerly known as the Block. The project aims to develop housing and services for the Aboriginal community as well as providing a community centre, health and fitness facility, respite centre and public open space. In addition, key elements, as defined under the Deed, include child care, the gallery and public open space. The Pemulwuy Project will contribute to the neighbourhood regeneration.

Budget Implications

24. The subject land, being Lot 1 in DP 1177664, as shown at Attachment B, was originally intended to be transferred as a part of Resolution of Council, dated 20 August 2012, as shown at Attachment H. The budget implications were addressed as part of this report.
25. Prior to the transfer of Lot 1 in DP 1177664, the City will enter into a Deed of Variation with the Aboriginal Housing Company to include Lot 1 in DP 1177664 as part of the "Laneway Land" intended for transfer in the existing Pemulwuy Project Deed. This Deed, as mentioned above, will protect the City's interest in this land both commercially and for the intended use of the land (as an affordable housing project).
26. As reported in December 2017, the transfer of a portion of Caroline Lane and Eveleigh Lane, being Lot 1 in DP1163669, and seven small parcels of land, to the Aboriginal Housing Company, allowing the delivery of the Pemulwuy Project for the total nominal sum of \$20.00, results in a write off of an estimated \$700,000 in land assets and \$38,000 in "Park Improvements", as per the City's Financial Register.

Relevant Legislation

27. Local Government Act 1993.

AMIT CHANAN

Director, City Projects and Property

Tracey Hargans, Portfolio Manager, Community

Attachment A

Existing Pemulwuy Project Deed

(Extract only)



DEED

PEMULWUY PROJECT

The Council of the City of Sydney

and

Aboriginal Housing Company Limited

The Council of the City of Sydney

Town Hall House
456 Kent Street
SYDNEY NSW 2000

Reference: KW S091270

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THIS DEED IS MADE ON 31 May 2013 BETWEEN:

- (A) **The Council of the City of Sydney (City)** of 456 Kent Street Sydney NSW 2000; and
- (B) **Aboriginal Housing Company Limited ACN 001 154 481 (AHC)** of 104 Lawson Street Redfern NSW 2016.

BACKGROUND

- (A) The AHC has obtained the Project Approval for the Pemulwuy Project.
- (B) The AHC and the City intend to work cooperatively and in good faith, as stakeholders, in the delivery of the Pemulwuy Project.
- (C) In particular, the City wishes to support the Pemulwuy Project and to use all reasonable endeavors to allow the Laneway Land and the Open Space Land to be used for purposes that meet the aims and objectives of the AHC.
- (D) The AHC wishes to incorporate the Laneway Land and the Open Space Land into the Pemulwuy Project.
- (E) The City will transfer the Land to the AHC in accordance with this Deed.

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed, except where the context otherwise requires:

Affordable Housing means the 62 (sixty two) dwellings, including 36 townhouses and 26 apartments, to be constructed by or on behalf of the AHC on the block bounded by Louis St, Caroline St, Eveleigh St, and Vine St Redfern.

Agreed Date means 21 December 2017, being the date five (5) years from the date of the Project Approval.

Arts and Craft Work has the same meaning as provided in Annexure D.

Authority means any federal, state or local government body.

Business Day means a day on which the trading banks are generally open for business in New South Wales and excludes Saturdays, Sundays and any public holidays.

Certificate of Title means a document entitled "Certificate of Title" issued by the Office of Land and Property Information NSW for a folio of the Torrens Title Register.

Child Care means for the purposes of a long stay child care centre, before and after school care centre, occasional care, school vacation program, or for any other community purpose approved by the City (in its capacity as the grantee of the



restriction referred to in clause 4 of Annexure D and in no other capacity) from time to time.

Gallery means for the purposes of creation, fabrication, or exhibition of Art and Craft Works, education, recreation, health, arts and crafts and culture (including parades, dramatic productions, dance and movement) and for any other community purpose approved by the City (in its capacity as a grantee of the restriction referred to in clause 3 of Annexure D and in no other capacity) from time to time.

Closure means the closure of the Laneway Land as a public road in accordance with Division 1 of Part 4 of the *Roads Act* 1993.

Community Land means land classified as community land under Division 1 of Part 2 of Chapter 6 of the *Local Government Act* 1993.

Completion Date means the date on which the City delivers the executed Transfers, and the Certificates of Title, for the whole of the Land to the AHC in accordance with clause 6.1.

GST means the Goods and Services Tax as defined in the GST Law.

GST Law means *A New Tax System (Goods and Services Tax) Act 1999 (Cth)* and any other Act or regulation relating to the imposition or administration of the GST.

Interests in Land means the interests set out in the Section 88B and 88E Instrument.

Key Elements means the parts of the Pemulwuy Project Site subject to the easements or restrictions referred to in Annexure D, the Affordable Housing, the Child Care, the Gallery, and public open space (including roads and plaza).

Land means the Open Space Land and the Laneway Land.

Laneway Land means the land comprised in Lot 1 DP 1163669, generally known as Eveleigh Lane and Caroline Lane.

Minister means the Minister responsible from time to time for the administration of the *Environmental Planning & Assessment Act* 1979.

Modification Application means the application for modification of the Concept Plan Approval (number MP06-0101 MOD1) lodged with the Minister.

Open Space Land means the land comprised in the following:

- (a) Lot 1 DP 779120 (known as 91 Eveleigh Street),
- (b) Lot A DP 439127 (known as 93 Eveleigh Street),
- (c) Lot B DP 439127 (known as 95 Eveleigh Street),
- (d) Lot 1 DP 797845 (known as 97 Eveleigh Street),
- (e) Lot 1 DP 194785 (known as 99 Eveleigh Street),
- (f) Lot 5 DP 230305 (known as 119 Eveleigh Street), and

(g) Lot 1 DP 995857 (known as 121 Eveleigh Street).

Operational Land means land classified as operational land under Division 1 of Part 2 of Chapter 6 of the *Local Government Act 1993*.

Pemulwuy Project means the proposed development of the Pemulwuy Project Site in accordance with the Project Approval.

Pemulwuy Project Site means the area generally shown in the Project Approval (bounded by Lawson Street, Vine Street, Louis Street, and the rail corridor at Redfern) and includes the Open Space Land, the Laneway Land, and a section of land owned by Railcorp.

Planning Certificates means the planning certificates issued under s.149 of the *Environmental Planning and Assessment Act 1979* in the form attached to this Deed and marked Annexure C.

Project Application means the major project application for the redevelopment of the Pemulwuy Project Site submitted to the Department of Planning and dated 16 December 2011.

Project Approval means the Minister's approval of the Modification Application granted on 21 December 2012, a copy of which is attached in Annexure A.

Public Domain Plan means the plan attached to this Deed and marked Annexure E.

Reclassification means the change in classification of the Open Space Land from Community Land to Operational Land

Section 88B and 88E Instrument means s Section 88B and 88E Instrument incorporating all of the provisions set out in Annexure D prepared in accordance with Clause 8.1.

Subdivision Plan means a plan of consolidation or subdivision of any land forming part of the Pemulwuy Project Site.

Substantially Progressed means:

- (a) all approvals and authorisations reasonably necessary for the construction of the first stage of the Pemulwuy Project have been granted;
- (b) the AHC has entered into a construction contract for the construction of at least the first stage of the Pemulwuy Project; and
- (c) construction work has commenced on the Pemulwuy Project Site.

Sydney LEP means the local environmental plan for the local government area of the City of Sydney, made by the Minister for Planning and Infrastructure following the exhibition of the draft of that local environmental plan in 2011.

Torrens Title Register means the Register of Torrens Title land maintained by the Registrar General at Land and Property Information NSW.

Transfer means a document entitled "Transfer" in the form approved by the Office of Land and Property Information NSW, duly and properly executed by the City of Sydney as the owner of the Land.

1.2 Interpretation

In this Deed:

- (a) headings are for convenience only and do not affect interpretation;
- (b) a reference to legislation includes legislation as amended, re-enacted, or replaced, and includes any subordinate legislation made under it;
- (c) if a word is defined, then another part of speech is given the same meaning;
- (d) singular includes the plural and vice versa; and
- (e) any example, illustration, or inclusion of a right, obligation or concept does not limit the scope of that thing,
- (f) a reference to a body or authority includes any body or authority that replaces it.

2. DEED OVERVIEW

The parties acknowledge and agree that this Deed is to operate in the following way:

- (a) the parties will work cooperatively, and in good faith, as stakeholders to achieve the key elements relating to the Pemulwuy Project;
- (b) the AHC will regularly inform the City of the progress of its application for registration as a certified provider of affordable housing;
- (c) the City will transfer the Land to the AHC, in accordance with clause 6;
- (d) the AHC must duly create the Interests in Land in accordance with clause 8; and
- (e) on and from the delivery of the Transfers and the Certificates of Title for the Land, to the AHC in accordance clause 6, the AHC confers the following rights on the City:
 - (i) an option to allow the City to obtain a transfer back of the title to the Land if the Pemulwuy Project has not Substantially Progressed by the Agreed Date; and
 - (ii) the Interests in Land; and
 - (iii) if the AHC sells any part of the Land), a right for the City to receive full market value for the relevant part of the Land, as set out in clause 10.



3. CLOSURE OF LANEWAY LAND

3.1 Closure of Laneway Land

The parties acknowledge that:

- (a) the Closure of the Laneway Land was completed by gazettal dated 8 June 2012 (**Gazettal**);
- (b) the City classified the Laneway Land as Operational Land by resolution made on 20 August 2012; and
- (c) the Gazettal has since been recorded on the Torrens Title Register for the Laneway Land and the City has notified the AHC in writing that a Certificate of Title for the Laneway Land has issued in the name of the City as the registered proprietor, without any qualification that the land comprises public road.

3.2 Licence

The City gives the AHC a rent free licence to occupy the Laneway Land from the date of this Deed) until the delivery of a Transfer and that Certificate of Title to the AHC in accordance with clause 6, to carry out construction work to construct the Pemulwuy Project on the Laneway Land.

3.3 Title to Laneway Land

The AHC agrees that:

- (a) it is aware of the conditions imposed by the relevant Authority (Ausgrid) in consenting to the Closure, being the relocation of electricity poles, brackets, and wiring from the Laneway Land; and
- (b) subject to transfer of the title for the Laneway Land in accordance with clause 6, it will comply with any requirements to re-route services made by Ausgrid as a condition of consenting to the Closure.

4. RECLASSIFICATION OF OPEN SPACE LAND

4.1 Process

- (a) The parties acknowledge that the amendment giving effect to the Reclassification was placed in the government gazette on 24 August 2012.
- (b) The City warrants that it has not, as at the date of this Deed, been joined as a party to any proceedings challenging the validity of that amendment.

4.2 Title to Open Space Land

The AHC agrees that (subject to transfer of the title for the Open Space Land in accordance with clause 6), it will comply with any requirements to re-route services located on the Open Space Land made by any Authority, whether that requirement was made before or after the Reclassification.



5. DEVELOPMENT OF THE PEMULWUY PROJECT

5.1 Changes to Project Approval

If:

- (a) changes are made to the Project Approval, so that the proposed development becomes essentially different in the Key Elements in the manner as described in the following clause 5.2 ; and
- (b) those changes are made before the earlier of the Agreed Date and the commencement of construction

then the Land must be transferred back to the Council for a consideration of \$10.00, in accordance with the process set out in clause 9 of this Deed.

5.2 Essentially Different

The parties acknowledge and agree that a Key Element will become essentially different if that Key Element is no longer reasonably capable of being used for the relevant purpose of Affordable Housing, Child Care, Gallery, public open space, road or plaza. Nothing in this clause 5 will be read or construed as limiting the capacity of the AHC to make minor changes, or refinements, of the nature identified in clause 7.

6. TRANSFER OF LAND TO THE AHC FROM THE CITY

- 6.1 Unless the City has then been joined as a party to any proceedings challenging the validity of the amendment referred to in clause 4.1(a), the City will, within 14 days of the date of this Deed, deliver to the AHC the Transfers for the whole of the Land, executed by the City, together with the Certificates of Title for the whole of the Land, in the form set out in Annexure E. The date on which delivery is effected will be deemed to be the Completion Date for the purposes of this Deed.

6.2 Completion

On the Completion Date, the parties agree that:

- (a) the licence granted under clause 3.2 will terminate and the City will give the AHC vacant possession of the Land;
- (b) the City will provide the AHC with the Certificates of Title for the Land, together with the Transfers for the Land;
- (c) the Land must be free of any mortgage or other encumbrance (except as provided for in this Deed);
- (d) there is to be no adjustment of rates and taxes on transfer of title to the Land from the City to the AHC; and
- (e) the AHC must pay the sum of \$20.00 (twenty dollars) exclusive of GST to the City as the price for the Land.

The AHC must pay any stamp duty, registration fees, or other similar taxes for or in relation to the Transfers.



6.3 No Separation

The City will not separately transfer either the Open Space Land or the Laneway Land to the AHC.

6.4 Condition of Land

The AHC accepts the Land, relying wholly on its own enquiries, in its current state and condition as at the Completion Date. The AHC may not make or bring any claim of any nature whatsoever against the City in respect of:

- (a) any defect (whether latent or patent) in any part of the Land;
- (b) any materials located in or adjoining the Land, including the presence of, or migration of, any contaminants within, from, or onto the Land as at the date of this Deed;
- (c) any irregularity in any of the boundaries to the Land; or
- (d) the condition or any improvements on any part of the Land.

6.5 Vendor Disclosure

The parties acknowledge that:

- (a) they have entered into this Deed with an awareness of the provisions of the *Conveyancing (Sale of Land) Regulation 2010*;
- (b) the Planning Certificates attached to this Deed are accurate as at the date of preparation of this Deed only.
- (c) without limiting clause 6.5(b) the AHC may not make or bring any claim whatsoever in respect of the following:
 - (i) the amendment of the South Sydney Local Environmental Plan 1998 with the effect of classifying the Open Space Land as Operational Land;
 - (ii) the making of the Sydney LEP by the Minister for Planning and Infrastructure as an environmental planning instrument in respect of the Land; or
 - (iii) any State Environmental Planning Policy (SEPP) made after the date of this Deed and before the Completion Date.

7. CHANGES TO PEMULWUY PROJECT

7.1 Variations to Project Approval and Deed

- (a) The parties acknowledge:
 - (i) that the design and form of the Pemulwuy Project (as provided in the Project Approval) may continue to evolve and alter before construction is completed; and
 - (ii) that the City has already responded to the Department of Planning in relation to AHC's application for approval of a modification of

concept plan approval MP06-0101 dated 30 June 2009, MP11-0039 and the Preferred Project Report dated 27 August 2012.

- (b) If changes to the Project Approval are contemplated after the date of the Project Approval then the changes are to be notified by AHC to the City.
- (c) If a minor change is made to the outcomes anticipated by this Deed (including without limitation, a facility is relocated or the development staging is changed) then the parties will cooperate in good faith to complete any necessary report to the City or any necessary amendment to this Deed.

7.2 AHC Obligations

On and from the Completion Date until registration of the Interests in Land, the AHC must:

- (a) use reasonable endeavours to complete the construction of the Pemulwuy Project;
- (b) not seek to change or modify any development consent or other approval in respect of the Pemulwuy Project in a manner which alters any of the Key Elements without affording the City (acting reasonably) an opportunity to consider and comment on that change or modification;
- (c) progress the Key Elements of the Pemulwuy Project; and
- (d) not mortgage, transfer or otherwise dispose of an interest in the Pemulwuy Project Site without disclosing to the transferee this Deed and requiring the transferee (as a condition of completion) to enter into a deed with the City agreeing to be bound by this Deed.

7.3 City Must Inform AHC

If the City (acting reasonably) is afforded the opportunity to comment under clause 7.2(b), and considers that a proposed modification may cause the development to become essentially different in the Key Elements in accordance with clause 5.2, then the City must promptly (and in any event within 28 days), inform the AHC in writing of that concern, giving reasons for it.

8. SUBDIVISION PLAN

8.1 AHC to Prepare

The AHC must prepare and provide the Subdivision Plan and the Section 88B and Section 88E Instrument to the City (acting as a party to this Deed and not as an Authority):

- (a) as soon as is reasonably practicable to do so (and in any event before occupation of any part of the Pemulwuy Project except occupation of the Laneway Land under clause 3.2);
- (b) at no cost to the City;
- (c) identifying the land burdened and the terms of the Interests in Land in favour of the City upon the terms specified in Annexure D of this Deed; and
- (d) identifying the land to be dedicated to the City as a public road; and



- (e) ensuring those areas which are open to, and used by, the public (as identified on the Public Domain Plan) are affected by a right of way in the form numbered 5 in the Section 88B and 88E Instrument.

8.2 Registration of Subdivision Plan

Promptly after the AHC has complied with clause 8.1 the AHC must:

- (a) lodge the Subdivision Plan and the Section 88B and 88E Instrument with the Office of Land and Property Information NSW; and
- (b) do all things reasonably necessary to ensure the registration of the Subdivision Plan and the Section 88B and 88E Instrument, including producing any necessary Certificates of Title and procuring any necessary consent to lodgement.

Both parties (acting reasonably) will co-operate to procure the registration of the Subdivision Plan and the Section 88B and 88E Instrument, including providing any written consent to any minor amendments of the Subdivision Plan or the Section 88B and 88E Instrument required by the Registrar General.

8.3 Registration of Other Plans and Dealings

The AHC must not:

- (a) (prior to lodgment of the Subdivision Plan and the Section 88B and 88E Instrument) lodge any plan for registration with the Office of Land and Property Information NSW in respect of the Pemulwuy Project Site without the City's written consent (such consent not to be unreasonably withheld); and
- (b) (on and from the date of registration of the Interests in Land) make or bring any claim, requisition, action or dealing with the intention or effect of derogating from the Interests in Land.

8.4 Surveying Disputes

- (a) If a dispute arises as to:
 - (i) the location of the Interests in Land, or
 - (ii) the relevant area of the Land under clause 10,and the parties are unable to resolve that dispute under clause 12, then that dispute will be determined under this clause 8.4.
- (b) The relevant matter will be determined by an independent surveyor agreed by the parties or (if an agreement cannot be reached within 14 days of the parties first meeting to make such a determination) by a surveyor appointed by the President of the Association of Consulting Surveyors NSW Inc.
- (c) The costs of the determination will be shared equally by the parties.
- (d) The surveyor will act as an expert, and the determination of the surveyor will be final and binding on the parties.

9. TRANSFER BACK TO THE CITY

9.1 AHC to Return

- (a) The AHC acknowledges that the City intends that the Land will be utilised for the realisation of the Pemulwuy Project, including ongoing use in accordance with the Project Approval (as varied in accordance with this Deed).
- (b) If the Pemulwuy Project (in a form which includes the Key Elements) has not Substantially Progressed by the Agreed Date, the City may by notice in writing to the AHC generally in the form attached as Annexure B require the AHC to transfer the Land back to the City for the same consideration paid by the AHC, being \$20.00

9.2. AHC to Effect

The AHC must promptly do all things reasonably required to give effect to the transfer back to the City of the Land in accordance with clause 9.1, including (without limitation):

- (a) execute any transfer or other instrument reasonably required by the City; and
- (b) (if any part of the Land has been consolidated with any other land comprising part of the Pemulwuy Project Site), then complete any plan of subdivision reasonably required to identify the whole or the relevant part of the Land and to allow the transfer back to the City in registrable form of that part of the Land.

9.3 Caveat

The City may lodge any caveat reasonably necessary to prevent a dealing with the Land or any part of it in a manner which is inconsistent with this Deed, including:

- (a) the registration of the Interests in Land;
- (b) the right to require a transfer back of the Land in accordance with clause 9; and
- (c) the right to receive payment for the relevant portion of the Land in accordance with clause 10.

9.4 Withdrawal of Caveat

The City must promptly withdraw any caveat or uplift it in part in the following circumstances:

- (a) to the extent that any caveat protects the registration of a dealing which is not consistent with the Interests in Land, then upon lodgement with the Land and Property Management Authority of the relevant Plan and associated Section 88B and Section 88E Instrument for the purposes of registration of those instruments;
- (b) to the extent the caveat protects the right to transfer back the Land, then (if the City, acting reasonably, is satisfied the development has Substantially Progressed) as soon as is reasonably practicable after the Agreed Date; or

- (c) to the extent any caveat relates to a right of compensation in relation to a release of the restriction, then upon payment for the relevant portion of the Land in accordance with clause 10.5.

10. TRANSFER OF LAND FROM THE AHC TO A THIRD PARTY

10.1 AHC to Notify

If, following transfer of the Land to the AHC and the issue of Certificates of Title noting the AHC as registered proprietor of the Land, the AHC decides to sell or transfer any land which includes any part of the Land to any party (except to the City in accordance with clauses 9 and 10 or to any party which is related to the AHC), the AHC must give written notice to the City.

10.2 Appointment of Valuer

- (a) The land which is proposed to be transferred must be valued by a duly qualified valuer with not less than 5 years experience in the valuation of land in the City of Sydney local government area.
- (b) The City will promptly (and in any event within 14 days of the issue of a notice under clause 10.1) provide to the AHC, in writing, the names and contact information of at least three (3) valuers.
- (c) The AHC will inform the City within 14 days from the date of issue of the notice under 10.2(b) whether the AHC:
- (i) is willing to appoint any of the three valuers identified by the City; or
 - (ii) if the AHC is not willing, the name of an alternative valuer meeting the criteria set out in clause 10.2 (a).
- (d) If the City does not issue a notice under 10.2(b), or the AHC does not respond under clause 10.2(c), then parties will be deemed to have not agreed a valuer.
- (e) If the parties are unable to agree upon a valuer within 1 month of the issue of written notice under clause 10.1, then either party may approach the president of the Institute of Valuers (NSW division) to appoint a valuer.

10.3 Basis of Valuation

The parties agree to instruct the valuer who has been agreed or appointed (as the case may be) to value the land proposed to be transferred, and provide a written valuation to the parties, on the following basis:

- (a) that land is to be considered as if that land was offered to the open market by an experienced real estate agent conducting a professional marketing campaign,
- (b) using at least two valuation approaches which include a hypothetical feasibility and a direct comparison, with full regard to the current value of comparable properties in the area;
- (c) having regard to the existing approvals, and nature and condition of any improvements on the site as at the date of valuation;
- (d) having regard to any planning instruments and land zoning in place as at the date of valuation ;
- (e) the valuation amount is to be expressed as a lump sum; and

- (f) the report must identify whether that amount includes or excludes any GST or other similar tax.

The costs of the valuer will be met by the parties equally.

10.4 Amount Payable by the AHC to the City

The amount payable to the City will be calculated as follows:

$$P = (V \div AL) \times C$$

Where:

P = amount payable to the City;

V = the value of the land the subject of the proposed transfer, as expressed in the valuation report prepared under the preceding sub-clause;

AL = the area of land the subject of the valuation and the proposed transfer, calculated having regard to the relevant deposited plan;

C = the area of the Land contained within the land the subject of the proposed comprising part of the relevant area of land the subject of the valuation (AL)

For example:

$$P = (\$5 \text{ million} / 5,000 \text{ sqm}) \times 300 \text{ sqm} = \$ 300,000.$$

(The value, area the subject of the transfer, and the area of Land are including for illustration purposes only and are not intended to be accurate.)

10.5 Timing of Payment

The AHC must ensure that the amount payable to the City, in accordance with the preceding clause, is paid to the City on completion of any transfer, sale of land, or other conveyance of the relevant part of the Land from the AHC. The AHC permits the City to attend at the place of completion in order to ensure that the monies are duly and promptly delivered to the City.

11 GST

11.1 GST Supply

If a party to this Deed (**Supplier**) makes a supply under or in connection with this Deed and is liable by law to pay GST on that supply, the consideration otherwise payable by the recipient of the supply will be increased by an amount equal to the GST paid or payable by the Supplier.

11.2 Contribution

If this Deed requires a party to pay for, reimburse or contribute to any expense, loss or outgoing (**Reimburseable Expense**) suffered or incurred by another party, the amount required to be paid, reimbursed or contributed by the first party is the amount of the Reimburseable Expense net of any input tax credit or reduced input tax credit to which the other party is entitled in respect of the Reimburseable Expense.

11.3 **Benefit of Indemnity**

If a party to this Deed has the benefit of an indemnity for a cost, expense, loss or outgoing (**Indemnified Cost**) under this Deed, the indemnity is for the Indemnified Cost net of any input tax credit or reduced input tax credit to which that party is entitled in respect of the Indemnified Cost.

11.4 **Each to Assist**

Each party agrees to do all things, including providing tax invoices and other documentation that may be necessary or desirable to enable or assist the other party to claim any input tax credit, set-off, rebate or refund in relation to any amount of GST paid or payable in respect of any supply under this Deed.

11.5 **Calculation of amounts**

Subject to the operation of this clause, all amounts in this Deed are GST exclusive.

12 **DISPUTE RESOLUTION**

12.1 **Reference to Dispute**

If a dispute arises between the parties in relation to this Deed, then either party may seek to resolve in accordance with this clause 12.

12.2 **Notice of Dispute**

The party wishing to commence dispute resolution processes must notify the other in writing of:

- (a) the nature, or subject matter, of the dispute, including a summary of any efforts made to resolve it;
- (b) the intent to invoke this clause 12; and
- (c) (if practicable) the outcomes which the notifying party wishes to achieve.

12.3 **Senior Representatives to Meet**

The senior representatives of the parties will meet promptly in good faith to attempt to resolve the notified dispute. The parties may, without limitation:

- (a) resolve that dispute during the course of that meeting;
- (b) agree that further material, expert opinion, or consideration is needed to effectively resolve the dispute, (in which event the parties will in good faith agree a timetable for resolution);
- (c) agree in writing that the parties are unlikely to resolve the dispute and in good faith agree a form of alternative dispute resolution (including expert determination) which is appropriate for resolution of the relevant dispute.

12.4 Exchange of Information

The parties acknowledge that the intent in the exchange of information under this clause 12 is to promote settlement of any dispute between the parties. No party may use information or documents obtained through the dispute resolution process established by this clause 12 for any purpose other than an attempt to settle the dispute between the parties.

13 NOTICES

13.1 Service of Notice

Any notice, consent, information, application or request that must or may be given or made to a party under this Deed is only given or made if it is in writing and sent in one of the following ways:

- (a) delivered or posted to that party at its address set out in Schedule 1; or
- (b) sent electronically to that party at the email address set out in Schedule 1.

13.2 Change of Address

Either party may give at least 5 Business Days' notice to the other party of a change of its address or email address. Any notice, order, approval or request under this Deed will be given or made if it is delivered, or posted to the latest address duly notified.

13.3 Service of Notice

Any notice, order, approval or request is to be treated as given or made at the following time:

- (a) if delivered, when it is left at the relevant address;
- (b) if it is sent by post, 2 Business Days after it is posted; and
- (c) if sent electronically, then when transmitted to that party's postmaster.

13.4 Receipt of Notice

If any notice is sent after 5pm, it is to be treated as having been given or made at the beginning of the next Business Day.



14 GENERAL

14.1 Governing Law

This Deed is governed by the laws of the state of New South Wales.

14.2 Costs and Expenses

Each party will pay its own legal costs associated with this Deed and any transfer or other document prepared under it.

14.3 Further Assurances

Each party must do, sign, execute and deliver all deeds, documents, instruments and acts to give effect to this Deed and the rights and obligations of the parties under it.

14.4 Amendment

This Deed can only be amended, supplemented, replaced, varied or novated by another Deed in writing signed or executed by both parties.

14.5 No Partnership

This Deed does not create a partnership or joint venture between the parties.

14.6 City as Authority

Nothing in this Deed will be read or construed as in any way fettering the City's discretion as an Authority.

14.7 Notices

Any notice or approval under this Deed must be communicated in writing.

14.8 Stamp Duty

If any stamp duty may be payable in respect of this Deed, then the AHC will pay that duty.



SCHEDULE 1

Council Address for Service of Notice: Sydney City Council,
Town Hall House,
456 Kent Street,
Sydney NSW 2000.

Attention: S Urquhart

Email: *council@cityofsydney.nsw.gov.au*

AHC Address for Service of Notice: Aboriginal Housing Company Limited
104 Lawson Street
Redfern NSW 2016.

Email: *lani@ahc.org.au*



ANNEXURE A - CONDITIONS OF APPROVAL CONCEPT PLAN

PMB
[Handwritten signature]

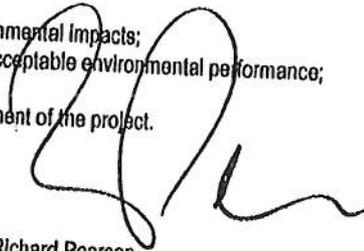
APPENDIX G. PROJECT APPROVAL

Section 75J of the *Environmental Planning & Assessment Act 1979*

As delegate of the Minister for Planning under delegation executed on 14 September 2012, I approve the Project Application referred to in Schedule 1, subject to the Conditions as noted in Schedule 2 and the Proponent's Statements of Commitment at Schedule 3.

These conditions are required to:

- prevent, minimise, and/or offset adverse environmental impacts;
- set standards and performance measures for acceptable environmental performance;
- require regular monitoring and reporting; and
- provide for the ongoing environmental management of the project.



Richard Pearson
Deputy Director-General
Development Assessment & Systems Performance
Department of Planning & Infrastructure

Sydney

21 December

2012

SCHEDULE 1

Application No.:

MP11_0093

Proponent:

Aboriginal Housing Company

Approval Authority:

Minister for Planning

Land:

Land bound generally by Louis Street, Vine Street, Eveleigh Street, railway line and Lawson Street, Redfern.

Land to which this approval applies also includes:

- airspace to the north of the existing railway overbridge and north of Lawson Street;
- Eveleigh Lane;
- that part of Caroline Lane to the east of Lot A DP 439351 (108 Lawson Street Redfern);
- Eveleigh Street (between Caroline Street and Lawson Street); and
- Caroline Street (between Louis Street and Eveleigh Street).

The site comprises the following properties:

Street	House No.	Lot No(s)	DP
Louis	1-5	21	434387
	7-33	1-14	33209
	35-37	1-2	206799
	39-59	1-11	33106
Caroline	2-10	1-5	33107
Eveleigh		29	374
		1	975453
	44-48	3130	975455
	50	321	131478
	52	1	525094

DEFINITIONS

Act	<i>Environmental Planning and Assessment Act 1979</i>
Advisory Notes	Advisory information relating to the approved development but do not form a part of this approval
BCA	Building Code of Australia
Certifying Authority	Has the same meaning as Part 4A of the Act
Council	Council of the City of Sydney
Department	Department of Planning and Infrastructure
Director-General	Director-General of the Department of Planning and Infrastructure
EA	Environmental Assessment Report prepared by Ludvik & Associates Pty Ltd
EP&A Regulation	<i>Environmental Planning and Assessment Regulation 2000</i>
Floor Space Ratio (FSR)	has the same meaning as in the Standard Instrument (Local Environmental Plans) Order 2006.
Gross Floor Area (GFA)	has the same meaning as in the Standard Instrument (Local Environmental Plans) Order 2006.
Redfern LAC	Redfern Local Area Command
SEPP MD	<i>State Environmental Planning Policy (Major Development) 2005</i>
Minister	Minister for Planning and Infrastructure
MP06_0101	Concept Plan (as modified) for this proposal
Part 3A	Part 3A of the <i>Environmental Planning and Assessment Act 1979</i>
PCA	Principle Certifying Authority (Part 4A of the Act)
PPR	Preferred Project Report
Proponent	Aboriginal Housing Company Ltd (AHC) or any party acting on the approval
Regulation	Environmental Planning and Assessment Regulation, 2000 (as amended)
RMS	NSW Roads and Maritime Services or its successors
Storey	has the same meaning as in Schedule 3, Part 5, Redfern-Waterloo Authority sites of <i>State Environmental Planning Policy (Major Development) 2005</i> .
Subject site	Land described in Schedule 1 of this approval

1DA301	D	South & East Elevations
Precinct 2		
2DA005	F	Precinct 2 Perspectives and Site Analysis
2DA100	E	Level 1 Plan
2DA101	E	Level 2 Plan
2DA102	D	Level 3 Plan
2DA103	D	Level 4 Plan
2DA120	E	Roof Plan
2DA200	E	Sections
2DA300	D	Elevations
Precinct 3		
3DA005	F	Precinct 3 Perspectives and Site Analysis
3DA100	E	Lower Ground & Ground Floor Plan
3DA101	E	Level 1 Plan
3DA102	E	Level 2 Plan
3DA103	E	Level 3 Plan
3DA104	E	Level 4 Plan
3DA105	B	Level 5 Plan
3DA106	B	Level 6 Plan
3DA120	C	Roof Plan
3DA200	E	Sections
3DA300	D	Elevations
DN160	D	Lawson Street Bridge Works
Report/Plan	Author	Date
Landscape Treatments		
Public Domain & Landscape Report	Scape	9 December 2011
Email to Greg Colbran (Del Corp) regarding landscape treatments for townhouses	Andrew Turnbull, Scott Carver	23 August 2012
Acoustic Assessment		
Pemulwuy Acoustic Assessment	Kolkas Consultants Pty Ltd	13 December 2011
Traffic Assessment		
Transport and Accessibility Impact Assessment	John Coady Consulting Pty Ltd	13 December 2011
Structural Assessment		
Structural report for Pemulwuy	Bonacci	12 December 2011
BASIX Assessment		
Precinct 1 BASIX Assessment	Windtech	13 December 2011
Precinct 3 BASIX Assessment	Windtech	13 December 2011
Site Investigation		
Geotechnical Assessment	SMEC Testing Services Pty Ltd	August 2010
Supplementary advice regarding groundwater conditions	SMEC Testing Services Pty Ltd	25 August 2010
Stormwater Drainage		
Stormwater Concept Plan SC 01	Neil Lowry & Associates	December 2011
Site Plan SC 02	Neil Lowry & Associates	December 2011

- 2) the development has physically commenced.

A7 No Approval for Road Works External to the site

This approval does not include any of the road works proposed which are external to the site. Such works include:

- a) the relocation of the intersection of Vine Street and Abercrombie Street.

Separate application will be required to be made to Council in relation to these works.

- d) Details of arrangements for parking of construction workers vehicles.
- e) Loading and unloading of vehicles:
 - i. If, during construction, it is not feasible for loading and unloading to take place on site, a Works Zone on the street may be considered by Council.
 - ii. A Works Zone may be required if loading and unloading is not possible on site. If a Works Zone is warranted an application must be made to Council at least 8 weeks prior to commencement of work on the site. An approval for a Works Zone may be given for a specific period and certain hours of the days to meet the particular need for the site for such facilities at various stages of construction. The approval will be reviewed periodically for any adjustment necessitated by the progress of the construction activities.
- f) An undertaking in relation to inspection and maintenance of erosion and sediment control barriers.
- g) Details of dust and debris control.
- h) Details of how tracking of soil and materials from the site will be managed.
- i) Details of the protection of public and private property.
- j) Details regarding tree protection.
- k) Site management details.

The CMP is to be prepared in consultation with Council and Redfern LAC to ensure the concerns of these authorities are appropriately addressed.

Details of written consultation with Council and Redfern LAC are to be provided to the PCA with the Construction Certificate application.

B5 Geotechnical Certification

Prior to the issuing of a Construction Certificate, a Geotechnical inspection report/certificate confirming that the development site is suitable for the proposed development must be provided to the principal certifying authority. The certificate must be in accordance with the relevant requirements of the Building Code of Australia and be prepared by an appropriately qualified person.

B6 Structural Certification

Structural drawings prepared by suitably qualified practicing structural engineer are required to be submitted with the Construction Certificate application.

B7 Footpath Damage Bank Guarantee Eveleigh Street, Caroline Street And Lawson Streets

A Footpath Damage Bank Guarantee must be lodged with Council in accordance with the City of Sydney's adopted Schedule of Fees and Charges and is to be calculated for the footways affected by works away from the central Pemulwuy space. This has been determined as being 65 linear metres of concrete unit paving footway and 330 linear metres of asphalt footway. The Footpath Damage Bank Guarantee must be submitted as an unconditional bank guarantee in favour of Council as security for repairing any damage to the public domain in the vicinity of the site.

The guarantee must be lodged with Council prior to issue of a Construction Certificate.

B8 Reflectivity

The PCA must ensure that the visible light reflectivity from building materials used on the facade of the building does not exceed 20% prior to issue of the Construction Certificate.

B9 Materials and Finishes

The Principal Certifying Authority must be satisfied that the materials and finishes proposed buildings to be used in this development are in accordance with the approved plans, as amended by conditions of the approval. This condition does not relate to the materials and finishes of the public domain area which will require the separate approval of Council (refer condition B15).

B10 Long Service Levy

Receipt of payment of the Long Service Payments Corporation in accordance with Section 34 of Building Construction Industry Payments Act 1986 must be presented to the PCA prior to issue of a Construction Certificate.

B11 Alignment Levels

B15 Public Domain Hold Points

- a) Prior to a Construction Certificate being issued for a new building work, excluding approved preparatory, demolition and shoring work, a set of hold points for approved public domain and civil construction work is to be determined with and approved by the City's Public Domain section in accordance with the City's Public Domain Manual.
- b) Completion and handover of the constructed public domain works is to be undertaken in accordance with the City's Public Domain Manual, including requirements for as-built documentation, certification and defects liability period

B16 Landscaping

- a) A detailed landscape plan, drawn to scale, by a qualified landscape architect or landscape designer, must be submitted to and approved by Council prior to the issue of a Construction Certificate. The plan must include:
 - (i) Location of existing and proposed structures on the site including existing trees (if applicable);
 - (ii) Details of earthworks including mounding and retaining walls and planter boxes (if applicable);
 - (iii) Location, numbers and type of plant species;
 - (iv) Details of planting procedure and maintenance;
 - (v) Details of drainage and watering systems.
- b) Prior to the issue of a Construction Certificate, a maintenance plan is to be submitted and approved by the Principal Certifying Authority. The maintenance plan is to be complied with during occupation of the property.

B17 Car Parking

The off street car parking facilities shall comply with the minimum requirements of Australian Standard AS/NZS 2890.1 – 2004 Parking facilities Part 1: Off-street car parking (with the exception of the accessible spaces which must comply with AS 2890.6 – 2009).

The layout of the basement car park, including driveway, ramp grades, aisle widths and sight distances are to be designed in accordance with AS 2890.2 – 2002.

B18 Dilapidation Report

Dilapidation report/s of adjoining buildings are to be prepared by an appropriately qualified practicing structural engineer and submitted for the approval of the Principal Certifying Authority:

- a) prior to the issue of a Construction Certificate and commencement of demolition/excavation works; and
- b) on completion of construction demolition/excavation works.

A specific site dilapidation report shall be provided in relation to 108 Lawson Street in accordance with the undertaking from Del Corp to Marcello Araldi dated 19 September 2012.

B19 Electricity Substation

If an electricity substation is required for the development, the Proponent shall liaise with the applicable energy supplier in relation to the size and location of the substation. In this regard, any substation(s) shall be located in an area which is not visually prominent and does not detract from the amenity of the public domain. Details of the location of the substation(s) are to be submitted for approval of Council and Ausgrid, prior to a Construction Certificate being issued.

NOTE: The location of the substations is not approved as part of this plan. The Proponent is to negotiate an alternative location for the substations with Council and Ausgrid.

B20 Survey of Utility Services

To ensure that utility authorities are advised of the development prior to the issue of a Construction Certificate a survey is to be carried out of all utility services within and adjacent to the site including relevant information from utility authorities and excavation if necessary, to determine the position and level of services.

B21 Adaptable Housing

Prior to a Construction Certificate being issued, the following information is required to be submitted to the PCA:

- a) Confirmation that 57 of the residential units and 3 of the student housing units are able to be adapted for people with a disability in accordance with the Building Code of Australia and City of Sydney Access DCP 2004;
- b) Compliance with Australian Standard AS4299, is to be submitted to the Certifying Authority.

This advice is to be prepared by an appropriately qualified access consultant.

B27 Use of Lights and Reflective Materials

The design, installation and use of lights, signs and reflective materials in Precinct 3, whether permanent or temporary, which are (or from which reflected light might be) visible from the rail corridor must limit glare and reflectivity to the satisfaction of RailCorp.

The Principle Certifying Authority shall not issue the Construction Certificate until written confirmation has been received from RailCorp confirming that this condition has been satisfied.

B28 Demolition, Excavation and Construction Impacts

Prior to the issue of a Construction Certificate for any building on Precinct 3 or bridge widening works a Risk Assessment/Management Plan and detailed Safe Work Method Statements (SWMS) for the proposed works are to be submitted to RailCorp for review and comment on the impacts on the rail corridor. The Principle Certifying Authority shall not issue the Construction Certificate, or bridge widening works to commence, until written confirmation has been received from RailCorp confirming that this condition has been satisfied.

No metal ladders, tapes and plant/machinery, or conductive material are to be used within 6 horizontal metres of any live electrical equipment. This applies to the train pantographs and 1500V catenary, contact and pull-off wires of the adjacent tracks, and to any high voltage aerial supplies within or adjacent to the rail corridor.

B29 Crane and Other Aerial Operations

Prior to the issuing of a Construction Certificate the Proponent is to submit to RailCorp a plan showing all craneage and other aerial operations for the development and must comply with all RailCorp requirements. The Principle Certifying Authority shall not issue the Construction Certificate until written confirmation has been received from RailCorp confirming that this condition has been satisfied.

B30 Requirement for the Proponent to enter into an Agreement with RailCorp

Prior to the issuing of a Construction Certificate for Precinct 3 and the bridge widening works the Proponent is required to enter into an Agreement with RailCorp defining the controls to be implemented in managing the access required and/or the potential impacts of the development on RailCorp, and the involvement of RailCorp staff in ensuring the appropriate safety and technical standards are complied with throughout the development.

The Proponent is advised that a separate Interface Agreement may also be required for the proposed bridge widening works and if required such an Agreement must be entered into either prior to the Construction Certificate or on completion of works, as advised by RailCorp.

The Principle Certifying Authority shall not issue a Construction Certificate until written confirmation has been received from RailCorp advising that an Agreement has been entered into.

No bridge widening works are to commence until written confirmation has been received from RailCorp approving the bridge widening works and an Agreement has been entered into.

C9 Public Domain

Prior to the commencement of construction, the Proponent must obtain Council's written endorsement regarding the material, finishes and treatment of the public domain areas within the site.

Council will require three copies of a detailed Public Domain Plan. This Plan must be prepared by an architect, urban designer or landscape architect and be lodged with Council's Public Domain Section and endorsed by Council prior to the commencement of public domain works.

The Public Domain Plan must be prepared in accordance with the City of Sydney's Public Domain Manual.

The detailed documentation shall be provided at a level and standard suitable for construction purposes.

Documentation shall include but not be limited to:

- a) A1 sized public domain plans at scale 1:200;
- b) Cross sections and Elevations at scale 1:100;
- c) Include specifications for the proposed works;
- d) Ensure maximum footpath cross falls of 2.5% from building line to top of kerb;
- e) Long Sections at scale 1:200;
- f) Construction details at appropriate scale;
- g) Schedules and specification;
- h) Services;
- i) Entire scope of works on Council property and that proposed to be dedicated including intersection treatments with the proposed new road pavements, line marking, parking, kerb and gutters (as relevant);
- j) Civil and stormwater infrastructure;
- k) Footpaths and pavements, treatment to the right of carriageway, road restoration;
- l) Street tree planting;
- m) utility poles, and service pits;
- n) Species, quantity, spacing, sizes of planting, staking and/or tree guard;
- o) Materials and finishes;
- p) Furniture and fixtures;
- q) Street lighting, pedestrian lighting and feature lighting;
- r) Drainage lines, and pits; and
- s) Extent of temporary works and permanent features to be clearly shown, including furnishing and/or footings, finished surfaces, service and planting.

The documentation shall also provide detailed design for safety and security which encompasses the following:

1. The through site links (or shared zones and pedestrian streets as appropriate), shall be designed and developed in accordance with the following principles:
 - a) Safe, passive surveillance, activity and night time use and provision for active surveillance at clearly defined entry points;
 - b) Equitable and easy access by the provision of a continuous paths of travel (consistent with AS 2107);
2. Well lit to safety standards (AS1158 pedestrian lighting). Use of metal halide (white) lighting, giving regard to highlighting any unique architectural features;
3. Uninhibited public access 24 hours a day to all public and communal areas;
4. Direct route with direct views from adjacent streets or public domain and provide clear, unencumbered sight lines;

Note: A Public Domain Works Guarantee deposit will be required for the public domain works associated with the shared zones adjoining Lawson Street down Eveleigh Street and along Caroline Street, in accordance with the City of Sydney's adopted fees and charges and the Public Domain Manual. This is separate to and in addition to the Footway Damage Bank Guarantee. The Public Domain Works Guarantee must be submitted as an unconditional bank guarantee in favour of Council as security for completion of the obligations under this consent.

Council's Public Domain section must be contacted to determine the guarantee amount prior to lodgement of the guarantee. The guarantee must be lodged with Council prior to a Road Opening Permit for works on the public way being issued.

The public domain plan will need to be endorsed by both Council and Redfern LAC to ensure it meets the requirements of those authorities prior to final approval of the Director General.

PART D – DURING CONSTRUCTION

D1 Approved Plans to be on site

A copy of the approved and certified plans, specifications and documents incorporating conditions of approval and certification shall be kept on the site at all times and shall be readily available for perusal by any officer of the Department, Council or the PCA.

D2 Hours of Work

The hours of construction and work on the development must be as follows:

- a) All work, including building/demolition and excavation work, and activities in the vicinity of the site generating noise associated with preparation for the commencement of work (eg. loading and unloading of goods, transferring of tools etc) in connection with the proposed development must only be carried out between the hours of 7.00am and 6.00pm on Mondays to Fridays, inclusive, and 7.00am and 3.30pm on Saturdays, with safety inspections being permitted at 7.00am on work days, and no work must be carried out on Sundays or public holidays.
- b) All work, including demolition, excavation and building work must comply with the City of Sydney Building Sites Noise Code and Australian Standard 2436 - 1981 "Guide to Noise Control on Construction, Maintenance and Demolition Sites".

D3 No Obstruction of Public Way

The public way must not be obstructed by any materials, vehicles, refuse, skips or the like, under any circumstances. Non-compliance with this requirement will result in the issue of a notice by Council to stop all work on site.

D4 Use of Mobile Cranes

The following requirements apply:

- a) Mobile cranes operating from the road must not be used as a method of demolishing or constructing a building.
- b) For special operations including the delivery of materials, hoisting of plant and equipment and erection and dismantling of on site tower cranes which warrant the on-street use of mobile cranes, permits must be obtained from Council for the use of a mobile crane. The permits must be obtained 48 hours beforehand for partial road closures which, in the opinion of Council will create minimal traffic disruptions and 4 weeks beforehand in the case of full road closures and partial road closures which, in the opinion of Council, will create significant traffic disruptions.
- c) Special operations and the use of mobile cranes must comply with the approved hours of construction. Mobile cranes must not be delivered to the site prior to 7.30am without the prior approval of Council.

D5 Compliance with Construction and Traffic Management Plans

All development activities and traffic movements must be carried out in accordance with the approved Construction and Traffic Management Plans. All controls in the Plans must be maintained at all times. A copy of the Plans must be kept on-site and made available upon request.

D6 Construction Noise

Noise from the construction, excavation and demolition activities associated with the development shall comply with the NSW Department of Environment and Heritage Noise Guidelines 2009.

D7 Dust Control

Dust control measures shall be implemented during all periods of earthworks, demolition, excavation and construction in accordance with the requirements of NSW Department of Environment and Heritage.

D8 Covering of Loads

All vehicles involved in the excavation and/or demolition process and departing the property with demolition materials, spoil or loose matter must have their loads fully covered before entering the public roadway.

conditions on the methods to be used and require the provision of on-site Safeworking supervision for certain aspects of the works.

D17 Access Management

Prior to the commencement of works an Agreement/Deed shall be entered into with RailCorp defining the controls to be implemented in managing the access required and/or the potential impacts of the development on RailCorp, and the involvement of RailCorp staff in ensuring the appropriate safety and technical standards are complied with throughout the development. The cost of any agreement/deed, including supervision, design checks, meetings, approvals and services searches is to be borne by the Applicant. It should be noted that this agreement/deed may include, but not be limited to, the following issues:

- Design, excavation and construction assessments and sign-offs.
 - Environmental, Insurance and OHS requirements.
 - Indemnities from claims arising out the development
 - Safe working rules and procedures.
 - Construction bonds.
-

E7 Site Landscaping

All landscaping in accordance with the detailed landscape plan referred to in condition B17Is to be completed prior to an Occupation Certificate being issued.

E8 Acoustic Certification

Prior to the issue of an Occupation Certificate for the development, certification from an accredited Acoustic consultant who possesses the qualifications to render them eligible for membership of the Australian Acoustic Society, Institution of Engineers Australia or the Australian Association of Acoustic Consultants is required to be provided. The certification shall indicate that the acoustic mitigation measures outlined in the Kolkas acoustic assessment and relevant Australian Standards have been suitably incorporated into the development and that relevant noise criteria have been satisfied.

E9 Student Housing Manager

Prior to the issuing of an Occupation Certificate, Council's Health and Building Unit must be advised in writing of the business name, address, owner or company name, 24 hour contact details for the site manager, and the number of occupants approved for the premises. A caretaker/manager must be contactable 24 hours a day.

E10 Waste Management

Prior to the issue of an Occupation Certificate, the approval of Council must be obtained in relation to the waste and recycling management facilities and ensure arrangements are in place for waste collection by Council.

E11 Section 73 Certificate

A Section 73 Compliance Certificate under the Sydney Water Act 1994 must be obtained from Sydney Water Corporation.

Application must be made through an authorised Water Servicing Coordinator. Please refer to the Building Developing and Plumbing section on the web site www.sydneywater.com.au then refer to "Water Servicing Coordinator" under "Developing Your Land" or telephone 13 20 92 for assistance.

Following application a "Notice of Requirements" will advise of water and sewer infrastructure to be built and charges to be paid. Please make early contact with the Coordinator, since building of water/sewer infrastructure can be time consuming and may impact on other services and building, driveway or landscape design. The Section 73 Certificate must be submitted to Council or the Principal Certifying Authority prior to an Occupation Certificate being issued.

E12 Fire Safety Certificate

A Fire Safety Certificate must be submitted to the PCA for all items listed in the Fire Safety Schedule prior to issue of an Occupation Certificate. A copy of the Fire safety Certificate must be submitted to Council if it is not the PCA.

E13 Easement for Public Access

Prior to the issue of an Occupation Certificate for this development, an easement for Public Access shall be created over the forecourt area of Precinct 1. The Proponent must consult with Council to establish if this easement is required to include the 8 car parking spaces along the Caroline Street frontage of Precinct 1.

E14 Site Consolidation

The allotments comprising the subject site are to be consolidated into three lots, corresponding to the three development precincts prior to issue of an Occupation Certificate for this development.

E15 Signposting of Share Ways

The share ways shall be signposted in accordance with RMS standard requirements.

E16 Contribution levied under Redfern- Waterloo Authority Contributions Plan (RWCP)

In accordance with the provisions of the RWCP, prior to the issue of an Occupation Certificate for the development, the Proponent shall either:

- a) pay a contribution of \$1.4 million (based on 2% of the estimated development cost); or

PART F – OPERATIONAL CONDITIONS

F1 Signs/Goods In the Public Way

No signs or goods are to be placed on the footway or roadway adjacent to the property.

F2 Shop Fronts

- a) All shop front glazing must be clear and unlinted and must not be obscured by blinds, curtains or the like.
- b) Security roller shutters must not be installed on the outside of the shop front. Any security grill is to be a dark recessive colour, located on the inside of the shop front, must be an open grille / see through and not a solid metal type.

F3 Plan of Management for Student Housing

The student housing must be operated / managed in accordance with the Plan of Management, dated 1 August 2012 and submitted with the PPR.

F4 Intruder Alarms

Should intruder alarm/s be installed these must operate in accordance with the requirements of Clause 53 of the Protection of the Environment Operations (Noise Control) Regulation 2008 under the Protection of the Environment Operations Act, 1997.

F5 Intercom for Basement Car Park

An intercom must be installed at the entry to the basement car park entry and be at least 6m clear of the property boundary, wired to all units and the management office. The intercom must comply with 'Australian Standard AS 1428.2-1992: Design for access and mobility - Enhance and additional requirements - Building and facilities Sections 22 and 23'.

F6 Signs At Egress

The following signs must be provided and maintained within the site at the point of vehicle egress from the basement car park:

- a) Compelling drivers to stop before proceeding onto the public way; and
- b) Compelling drivers to "Give Way to Pedestrians" before crossing the footway; or compelling drivers to "Give Way to Pedestrians and Bicycles" before crossing a footway on an existing or identified shared path route.

F7 Signposting

All costs associated with signposting for any kerbside parking restriction and traffic management measures associated with the development shall be borne by the Proponent.

No sign(s) shall be erected without the prior approval of Council and the relevant Traffic Committee.

F8 Licensing of Child Care Centre

- a) A license to operate the child care centre must be obtained from the NSW Department of Family and Community Services prior to commencement of operations at the child care centre.
- b) Full compliance with any licensing requirements of the NSW Department of Family and Community Services is required.

F9 Child Care Centre maximum capacity

The total number of children at the centre at any one time must not exceed 60 children.

F10 Awning Maintenance

The awnings must be inspected and maintained to ensure their structural integrity, aesthetic and functional quality.

No.	Subject	Commitment	Timing
23	Dwellings in Precinct 1	<p><i>operated in accordance with the requirements of the Department of Community Services.</i></p> <p><i>The sixty-two (62) dwellings in Precinct 1 are to be retained in the ownership of the Aboriginal Housing Company.</i></p> <p><i>These dwellings are to be managed by the Aboriginal Housing Company to provide affordable housing for the local Aboriginal and Torres Strait Islander Community</i></p>	Ongoing

ANNEXURE B – NOTICE
(City of Sydney Letterhead)

Date:

To: Aboriginal Housing Company Limited (AHC)
104 Lawson Street
Redfern NSW 2016

TAKE NOTICE that the City of Sydney calls upon the AHC to transfer the Land (as defined in the Deed between the AHC and the City of Sydney dated *[insert date]* and as identified below) to the City of Sydney for the sum of \$20.00. (twenty dollars) in accordance with clause 9 of the Deed.

The consideration for this transfer is attached to this notice in the form of cheque/cash payment.

Dated:

Executed for and on behalf of the City of Sydney

.....

Land

The land formerly comprised in the following:

- (a) Lot 1 DP 779120 (known as 91 Eveleigh Street),
- (b) Lot A DP 439127 (known as 93 Eveleigh Street)
- (c) Lot B DP 439127 (known as 95 Eveleigh Street),
- (d) Lot 1 DP 797845 (known as 97 Eveleigh Street),
- (e) Lot 1 DP 194785 (known as 99 Eveleigh Street)
- (f) Lot 5 DP 230305 (known as 119 Eveleigh Street)
- (g) Lot 1 DP 995857 (known as 121 Eveleigh Street); and
- (h) lot 1 DP 1163669 (comprising Eveleigh Lane and part Caroline Lane).

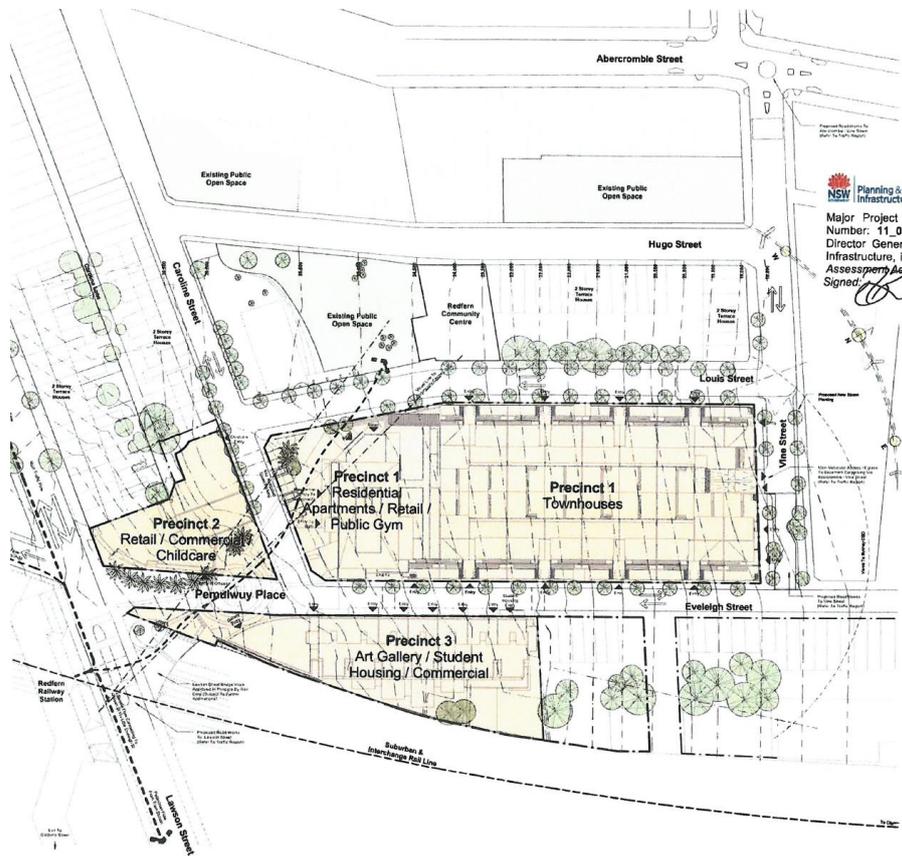


**ANNEXURE C – CERTIFICATES OF TITLE, DEPOSITED PLANS, SEWER
DIAGRAMS, AND PLANNING CERTIFICATES**

P. M. B.
[Handwritten signature]
[Handwritten signature]

Attachment B

Pemulwuy Project Plan



Major Project Number: 06_0101 Mod 1 and Major Project Number: 11_0093 approved on 21 December 2012 by the Director General, as delegate for the Minister for Planning & Infrastructure, in accordance with the *Environmental Planning & Assessment Act 1979*, subject to conditions of approval.

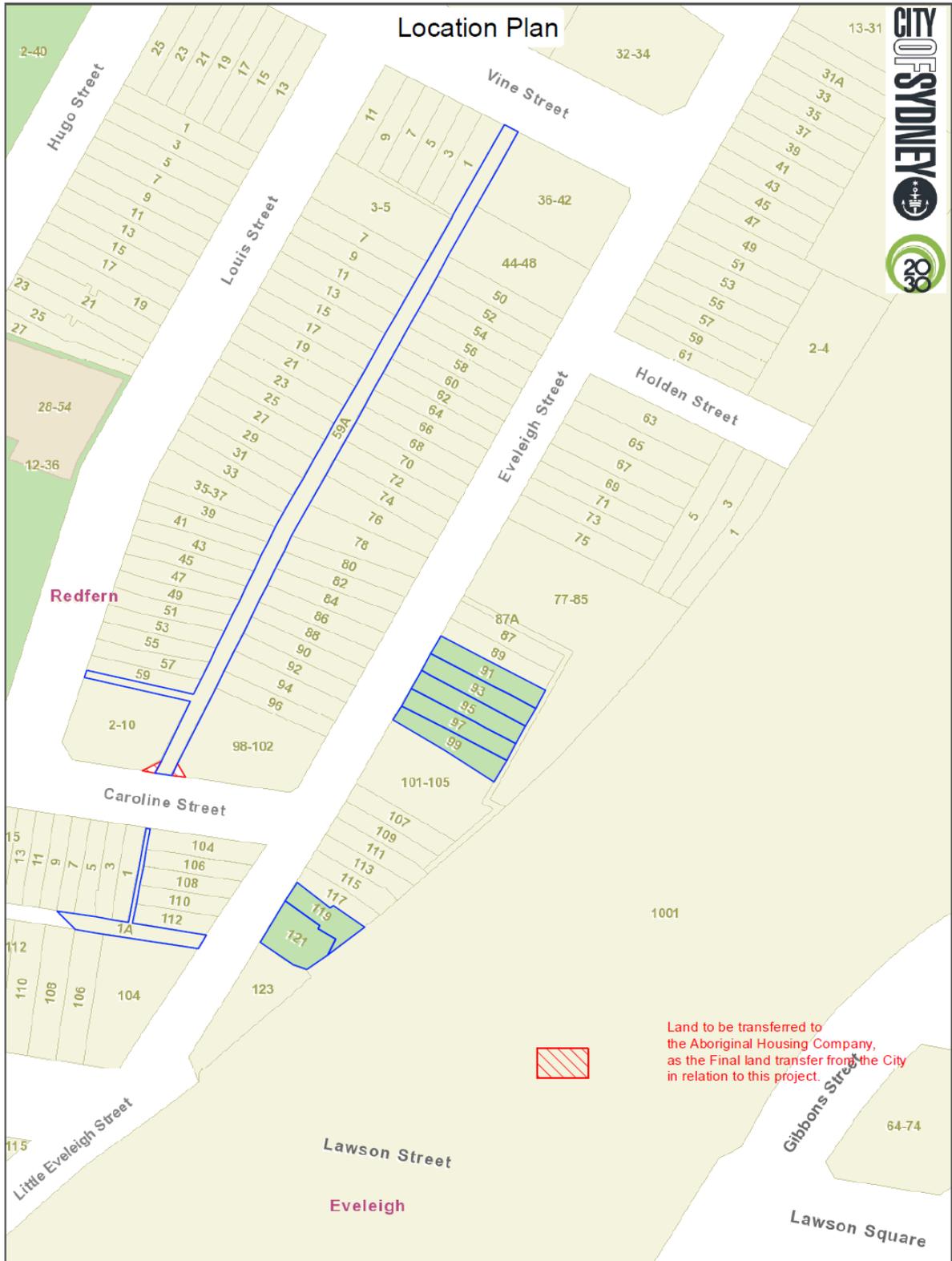
Signed: *[Signature]*

Disclaimer:
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Attachment C

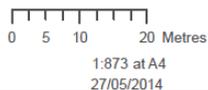
**Location Plan
(Splay Corners)**

Location Plan



Land to be transferred to the Aboriginal Housing Company, as the Final land transfer from the City in relation to this project.

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Attachment D

Deed of Variation Pemulwuy Project

MEMORANDUM

TO : [Illegible]

FROM : [Illegible]

SUBJECT : [Illegible]

DEED OF VARIATION Pemulway Project



The Council of the City of Sydney
and
Aboriginal Housing Co Ltd

Sydney 2030 Green Global Connected

Reference: S128791

DEED OF VARIATION

THIS DEED is made on

31 JANUARY 2018

PARTIES

- (1) **THE COUNCIL OF THE CITY OF SYDNEY** ABN 22 636 550 790 of Town Hall House, 456 Kent Street Sydney NSW 2000 (City);
- (2) **ABORIGINAL HOUSING CO LTD ACN 001 154 481** of Level 1 29 Botany Road Waterloo NSW 2017(AHC).

BACKGROUND

- A. The City and the AHC entered into the Deed.
- B. City and the AHC have agreed to vary the Deed in the manner set out in this Deed of Variation.

THE PARTIES AGREE AS FOLLOWS:

1 INTERPRETATION

- 1.1 In this Deed of Variation, unless the context otherwise requires:

Deed means the deed between City and the AHC dated 31 May 2013 a copy of which is attached to this Deed of Variation as Annexure A.

Deed of Variation means this document and all annexures, schedules, attachments and exhibits.

1.2 Rules for interpreting this Deed of Variation

Headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this Deed of Variation, except where the context makes it clear that a rule is not intended to apply.

- (a) A reference to:

- (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
- (ii) a document (including this document) or agreement, or a provision of a document (including this document) or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
- (iii) a party to this document or to any other document or agreement includes a permitted substitute or a permitted assign of that party;
- (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and

- (v) anything (including a right, obligation or concept) includes each part of it.
 - (b) A singular word includes the plural, and vice versa.
 - (c) A word which suggests one gender includes the other genders.
 - (d) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
 - (e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
 - (f) The words subsidiary, holding company and related body corporate have the same meanings as in the Corporations Act.
 - (g) A reference to dollars or \$ is to an amount in Australian currency.
 - (h) A reference to this document includes the agreement recorded by this document.
 - (i) Words defined in the GST Act have the same meaning in clauses about GST.
 - (j) A reference to a month is to a calendar month.
- 1.3 A reference to a term defined in the Deed has the same meaning when used in this Deed of Variation.
- 1.4 This Deed of Variation is not to be interpreted against the interests of a party merely because that party proposed this document or some provision in it or because that party relies on a provision of this document to protect itself.

2 VARIATION OF DEED

The Deed is varied as follows:

- 2.1 Clause 1.1 Definitions, delete the following words:

"Agreed Date means 21 December 2017, being the date five (5) years from the date of the Project Approval."

And replace with the following words:

"Agreed Date means 21 December 2018, being the date six (6) years from the date of the Project Approval."

3 NO OTHER CHANGE

The parties confirm that the Deed will continue in full force and effect as varied by this Deed of Variation. Nothing in this Deed of Variation will be read or construed as implying any form of variation or waiver other than as expressly set out in this Deed.

4 FURTHER ASSURANCE

Subject to clause 5.2, each party must promptly at its own cost do all things (including executing all documents) necessary or desirable to give full effect to this Deed of Variation.

5 LEGAL COSTS

5.1 Each party will bear its own legal costs in relation to the preparation and execution of this Deed of Variation.

6 GENERAL

6.1 This Deed of Variation contains the entire agreement between the parties and any previous negotiations, agreements, representations or warranties relating to the subject matter of this Deed of Variation are of no effect.

6.2 A right may only be waived in writing, signed by the party giving the waiver, and:

- (a) no other conduct of a party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

6.3 Nothing in this Deed of Variation in any way restricts or otherwise affects the City's unfettered discretion to exercise its statutory powers as a public authority.

6.4 The invalidity, illegality or unenforceability of any provisions of this Deed of Variation will not affect the validity or enforceability of any other provisions.

6.5 This Deed of Variation may only be varied in writing by the agreement of the parties.

6.6 This Deed of Variation is governed by and construed in accordance with the law of the State of New South Wales.

6.7 The parties submit to the non-exclusive jurisdiction of the courts of New South Wales in relation to all matters arising under, or relating to, this Deed of Variation.

EXECUTED AS A DEED BY:

Signed for and on behalf of **THE COUNCIL OF THE CITY OF SYDNEY** by its duly authorised officer in the presence of:



Witness:

LISA MCCUMANT

Name (printed):



Signature:

KIM WOODBURY

Name of Authorised Officer:

A/CEO

Signed by **ABORIGINAL HOUSING CO LTD ACN 001 154 481** in accordance with section 127 of the Corporations Act:

Signature of Director

Full Name (printed):

Signature of Director/Secretary:

Full Name (printed):

EXECUTED AS A DEED BY:

Signed for and on behalf of **THE COUNCIL OF THE CITY OF SYDNEY** by its duly authorised officer in the presence of:

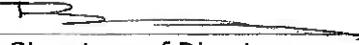
Witness:

Name (printed):

Signature:

Name of Authorised Officer:

Signed by **ABORIGINAL HOUSING CO LTD ACN 001 154 481** in accordance with section 127 of the Corporations Act:



Signature of Director

Barbara Kennedy

Full Name (printed):



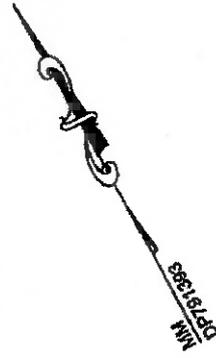
Signature of Director/Secretary:

Alistair Turner

Full Name (printed):

Attachment E

**Deposited Plan Administration Sheet –
DP1177664**



LOUIS STREET

DP 791393

12.795
89°

CAROLINE

233° 36'
4.03

2.5

12.285

17° 20' 00"

17° 08' 30"

16.295

DP 1163669

LOT 1
6m²

3.555

2.5

2.965

323° 30'

STREET

16.875
00°

DP 830390

EVELEIGH STREET

SURVEYOR: JOHN WALTON DATE OF SURVEY: 27-07-2012 SURVEYOR'S REF: 1100-10DP2 LPMA REF: 2012M7100(1116)COMP	PLAN OF: ROAD TO BE CLOSED UNDER THE ROADS ACT 1993, COMPRISED IN 1/33107 AND 1/510425	LGA: SYDNEY LOCALITY: REDFERN SUBDIVISION No: --- Lengths are in metres. Reduction Ratio 1 : 200	REGISTERED:  10.12.2012 DP1177664
--	--	---	--

PLAN FORM 6

WARNING: Creasing or folding will lead to rejection

ePlan

DEPOSITED PLAN ADMINISTRATION SHEET

Sheet 1 of 1 sheet(s)

SIGNATURES, SEALS AND STATEMENTS of intention to dedicate public roads, public reserves and drainage reserves or create easements, restrictions on the use of land and positive covenants

Office Use Only

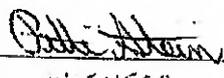
DP1177664

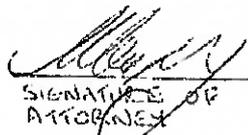
SIGNED SEALED AND DELIVERED BY THE COUNCIL OF THE CITY OF SYDNEY BY IT'S DULY APPOINTED ATTORNEY PURSUANT TO POWER OF ATTORNEY REGISTERED No 994 80024572 DATED 3 AUGUST 2009 (who hereby states that he or she has no notice of revocation of such appointment) in the presence of:

Registered:  10.12.2012
 Title System: TORRENS
 Purpose: ROADS ACT 1993

Office Use Only

PLAN OF ROAD TO BE CLOSED UNDER THE ROADS ACT 1993, COMPRISED IN 1/33107 AND 1/510425





WITNESS

SIGNATURE OF ATTORNEY

PATTI STEIN

MARIA CLAIRE DOHERTY

NAME OF WITNESS

FULL NAME OF ATTORNEY

456 KENT STREET, SYDNEY
 ADDRESS OF WITNESS

LGA: SYDNEY
 Locality: REDFERN
 Parish: ALEXANDRIA
 County: CUMBERLAND

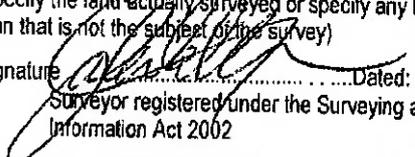
Survey Certificate

I, JOHN WALTON
 of DAW & WALTON PTY LTD
 Email: survey@daw-walton.com.au

a surveyor registered under the Surveying and Spatial Information Act 2002, certify that the survey represented in this plan is accurate, has been made in accordance with the Surveying and Spatial Information Regulation 2006 and was completed on: 27 JULY 2012

The survey relates to LOT 1

(specify the land actually surveyed or specify any land shown in the plan that is not the subject of the survey)

Signature:  Dated: 27-07-12
 Surveyor registered under the Surveying and Spatial Information Act 2002

Datum Line: N/A

Type: Urban/Rural

Plans used in the preparation of survey/compilation

DP791393
 DP830390
 DP1163669

If space is insufficient use PLAN FORM 6A annexure sheet
 Crown Lands NSW/Western Lands Office Approval

I, _____ in approving this plan certify (Authorised Officer) that all necessary approvals in regard to the allocation of the land shown herein have been given

Signature: _____
 Date: _____
 File Number: _____
 Office: _____

Subdivision Certificate

I certify that the provisions of s.109J of the Environmental Planning and Assessment Act 1979 have been satisfied in relation to:

the proposed _____ set out herein (insert 'subdivision' or 'new road')

* Authorised Person* General Manager* Accredited Certifier

Consent Authority: _____
 Date of Endorsement: _____
 Accreditation no: _____
 Subdivision Certificate no: _____
 File no: _____

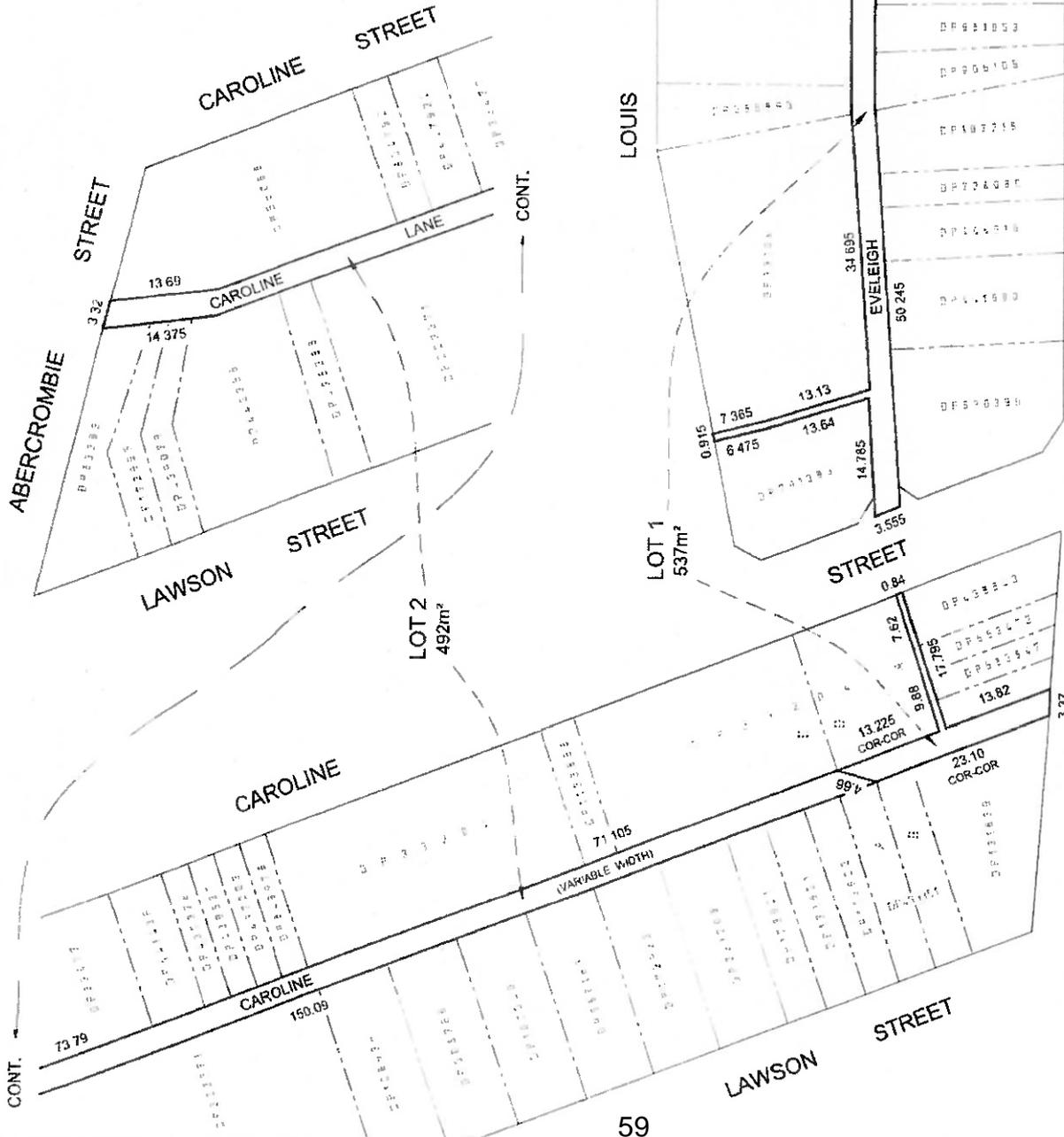
If space is insufficient use PLAN FORM 6A annexure sheet

Surveyor's Reference: 1100-10DP2

* Strike through inapplicable parts.

Attachment F

**Deposited Plan Administration Sheet –
DP1163669**



STREET

EVELEIGH STREET

SURVEYOR: JOHN WALTON
 DATE OF SURVEY: 21 NOV 2010
 SURVEYOR REF: 1100-10DP
 IPMA REF: 2011M7100(491)

PLAN OF: EVELEIGH LANE AND CAROLINE LANE
 COMPRISED IN VOLUME 342-FOLIO197 &
 VOLUME 494-FOLIO'S 70-72 FOR THE
 PURPOSES OF THE ROADS ACT, 1993

LOCALITY: SYDNEY
 LOCALITY: REDFERN
 SUBDIVISION No:
 Lengths and in metres. Reduction Ratio 1:400

REGISTERED:
 16.5.2011

DP1163669

NOTE: COMPILED PLAN DISTANCES FROM JEP-DIGITIZED
 PLANS DP174, DP130 & DP28*

PLAN FORM 6

WARNING: Creasing or folding will lead to rejection

DEPOSITED PLAN ADMINISTRATION SHEET

Sheet 1 of 1 sheet(s)

SIGNATURES, SEALS AND STATEMENTS of intention to dedicate public roads, public reserves and drainage reserves or create easements, restrictions on the use of land and positive covenants



Use Only

DP1163669 S

Registered:  16.5.2011

Office Use Only

Title System: TORRENS

Purpose: ROADS ACT 1993

PLAN OF EVELEIGH LANE AND
CAROLINE LANE^{*} FOR
PURPOSES OF THE ROADS
ACT, 1993

* COMPRISED IN VOLUME 342 FOLIO 197 &
VOLUME 494 FOLIOS 70-72

LGA: SYDNEY

Locality: REDFERN

Parish: ALEXANDRIA

County: CUMBERLAND

Survey Certificate

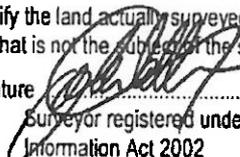
I, JOHN WALTON

of DAW & WALTON PTY LTD

a surveyor registered under the Surveying and Spatial Information Act 2002, certify that the survey represented in this plan is accurate, has been made in accordance with the Surveying and Spatial Information Regulation 2006 and was completed on: 21 NOV 2010

The survey relates to LOT(s) 1 & 2

(specify the land actually surveyed or specify any land shown in the plan that is not the subject of the survey)

Signature:  Dated: 1-04-11

Surveyor registered under the Surveying and Spatial Information Act 2002

Datum Line: N/A

Type: Urban/Rural

Plans used in the preparation of survey/compilation

DP374
DP530
DP881

If space is insufficient use PLAN FORM 6A annexure sheet

Surveyor's Reference: 1100-10DP

If space is insufficient use PLAN FORM 6A annexure sheet

Crown Lands NSW/Western Lands Office Approval

.....in approving this plan certify

(Authorised Officer)

that all necessary approvals in regard to the allocation of the land shown herein have been given

Signature:

Date:

File Number:

Office:

Subdivision Certificate

I certify that the provisions of s.109J of the Environmental Planning and Assessment Act 1979 have been satisfied in relation to:

the proposed set out herein

(insert 'subdivision' or 'new road')

* Authorised Person/General Manager/Accredited Certifier

Consent Authority:

Date of Endorsement:

Accreditation no:

Subdivision Certificate no:

File no:

* Strike through inapplicable parts.

Attachment G

Certificate of Title – Lot 1 DP1177664

BOX 1W
(AH575275)



NEW SOUTH WALES
CERTIFICATE OF TITLE
REAL PROPERTY ACT, 1900



TORRENS TITLE REFERENCE 1/1177664	
EDITION 1	DATE OF ISSUE 25/3/2013
CERTIFICATE AUTHENTICATION CODE HL4F-GZ-FQWS	

I certify that the person described in the First Schedule is the registered proprietor of an estate in fee simple (or such other estate or interest as is set forth in that Schedule) in the land within described subject to such exceptions, encumbrances, interests and entries as appear in the Second Schedule and to any additional entries in the Folio of the Register.

REGISTRAR GENERAL



LAND

LOT 1 IN DEPOSITED PLAN 1177664
AT REDFERN.
LOCAL GOVERNMENT AREA: SYDNEY.
PARISH OF ALEXANDRIA COUNTY OF CUMBERLAND
TITLE DIAGRAM: DP1177664

FIRST SCHEDULE

THE COUNCIL OF THE CITY OF SYDNEY

(R AH575275)

SECOND SCHEDULE

1. RESERVATIONS AND CONDITIONS IN THE CROWN GRANT(S)

**** END OF CERTIFICATE ****

Attachment H

**Resolution of Council
Dated 20 August 2012**

Resolution of Council

20 AUGUST 2012

ITEM 6.6 TRANSFER OF A PORTION OF CAROLINE LANE, EVELEIGH LANE AND 91-99 AND 119-121 EVELEIGH STREET REDFERN FROM THE COUNCIL OF THE CITY OF SYDNEY TO THE ABORIGINAL HOUSING COMPANY TO FACILITATE THE REDEVELOPMENT OF THE "BLOCK" KNOWN AS THE PEMULWUY PROJECT (S072236.007)

It is resolved that:

- (A) Council enter into the draft deed as generally set out at Attachment E to the subject report;
- (B) authority be delegated to the Chief Executive Officer to settle the final terms of the draft deed;
- (C) Council transfer the eastern portion of Caroline Lane, Eveleigh Lane, Redfern to the Aboriginal Housing Company for the nominal sum of \$10.00, in accordance with the draft deed and subject to:
 - (i) the re-classification of 91-99 and 119-121 Eveleigh Street, Redfern from community land to operational land;
 - (ii) the closure of the eastern portion of Caroline Lane and Eveleigh Lane, Redfern; and
 - (iii) the Minister for Planning and Infrastructure granting consent to the construction of the Pemulwuy development;
- (D) Council transfer 91-99 and 119-121 Eveleigh Street, Redfern to the Aboriginal Housing Company for the nominal sum of \$10.00, in accordance with the draft deed and subject to:
 - (i) the re-classification of 91-99 and 119-121 Eveleigh Street, Redfern from community land to operational land;
 - (ii) the closure of the eastern portion of Caroline Lane and Eveleigh Lane, Redfern; and
 - (iii) the Minister for Planning and Infrastructure granting consent to the construction of the Pemulwuy development;

- (E) Council note that the land, as generally shown at Attachment H to the subject report, is intended to be dedicated to the City as public domain;
- (F) Council note that the portions of Caroline Lane and Eveleigh Lane to be closed shall be classified operational land in accordance with Section 31 of the Local Government Act 1993 forthwith;
- (G) City staff work with local residents to try to activate Caroline Lane and to consider further community uses for the Redfern Community Centres outdoor open space;
- (H) Council note the financial implications involved in the transfer of the eastern portion of Caroline Lane, Eveleigh Lane, Redfern and 91-99 and 119-121 Eveleigh Street, Redfern as set out in the subject report; and
- (I) Council note that, should the Development Consent as approved by the Minister for Planning and Infrastructure be significantly different from the Concept Plan and Council Resolutions of 26 July 2010, 27 June 2011 and 5 December 2011, then a further report will be brought to Council prior to any transfer of the eastern portion of Caroline Lane, Eveleigh Lane, Redfern and 91-99 and 119-121 Eveleigh Street, Redfern as set out in the deed.

Carried unanimously.

Item 8.

Tender - Build and Delivery of the 2019 Sydney Chinese New Year Zodiac Lanterns

Tender No: 1865

Summary

This report provides details of the tenders received for the Build and Delivery of the 2019 Sydney Chinese New Year Zodiac Lanterns.

The City invited tenders from suitably qualified and experienced outdoor scenic builders and lighting suppliers to collaborate with the Festival Creative Team, and appointed engineers to build and install/disassemble on site, a nominated or multiple lanterns for exhibition.

The tender called for the build and installation of the following lanterns:

- Lantern 1: Hero Pig by artist Justin Hua;
- Lantern 2: Monkey by artist Louise Zhang;
- Lantern 3: Sheep: by artist Pamela See; and
- Lantern 4: Pig Chandelier by artist McDermott Baxter.

Tenderers were invited to submit for one or more lanterns. Additionally, tenderers were invited to submit a schedule of rates for the possible re-staging of lanterns for two years to cover the 2020 and 2021 events.

This report recommends that Council accept the tender offer of Tenderer A for the build, delivery and future year re-staging of Lantern 1: Hero Pig by artist Justin Hua, for a period of three years to cover the 2019, 2020 and 2021 events.

This report recommends that Council accept the tender offer of Tenderer A for the build, delivery and future year re-staging of Lantern 2: Monkey by artist Louise Zhang, for a period of three years to cover the 2019, 2020 and 2021 events.

This report recommends that Council accept the tender offer of Tenderer B for the build, delivery and future year re-staging of Lantern 4: Pig Chandelier by artist McDermott Baxter, for a period of three years to cover the 2019, 2020 and 2021 events.

This report recommends that no tenders be accepted for the build, delivery and future year re-staging of Lantern 3: Sheep by artist Pamela See, and that the City enter into negotiations with suitably qualified companies accordingly.

Recommendation

It is resolved that:

- (A) Council accept the tender offer of Tenderer A for the build, delivery and future year re-staging of Lantern 1: Hero Pig by artist Justin Hua, for a period of three years to cover the 2019, 2020 and 2021 events;
- (B) Council accept the tender offer of Tenderer A for the build, delivery and future year re-staging of Lantern 2: Monkey by artist Louise Zhang, for a period of three years to cover the 2019, 2020 and 2021 events;
- (C) Council accept the tender offer of Tenderer B for the build, delivery and future year re-staging of Lantern 4: Pig Chandelier by artist McDermott Baxter for a period of three years to cover the 2019, 2020 and 2021 events;
- (D) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contracts relating to the build, delivery and future year re-staging of Lantern 1: Hero Pig by artist Justin Hua, Lantern 2: Monkey by artist Louise Zhang and Lantern 4: Pig Chandelier by artist McDermott Baxter;
- (E) Council reject all tenders received for the build, delivery and future year re-staging of Lantern 3: Sheep by artist Pamela See, for the reasons set out in the confidential Tender Evaluation Summary, Attachment B to the subject report;
- (F) Council does not invite fresh tenders for the build, delivery and future year re-staging of Lantern 3: Sheep by artist Pamela See, as it is considered that inviting fresh tenders would not attract additional suitable vendors over and above those that have responded to this tender;
- (G) authority be delegated to the Chief Executive Officer to enter into negotiations with any person with a view to entering into a contract in relation to the subject matter of the build, delivery and future year re-staging of Lantern 3: Sheep by artist Pamela See; and
- (H) authority be delegated to the Chief Executive Officer to enter into and administer a contract with a suitable vendor(s) following completion of negotiations for the build, delivery and future year re-staging of Lantern 3: Sheep by artist Pamela See.

Attachments

- Attachment A.** 2019 Sydney Chinese New Year Zodiac Lanterns - Images
- Attachment B.** Tender Evaluation Summary (Confidential)
- Attachment C.** Recommended Tenderer Schedule of Rates (Confidential)

Background

1. The City of Sydney, in partnership with Sydney's Chinese community, produces the annual Sydney Chinese New Year in celebration of the Lunar New Year. The Festival represents the City's ongoing commitment to diversity, community celebration and producing events that have an international reputation. 2019 celebrates the Year of the Pig.
2. This is the fourth year the City has presented the Lantern Festival. The strategic plan for the event includes creating the twelve animals of the Zodiac Lanterns over an initial three year period and then replacing the primary Zodiac Lanterns and/or other key lanterns annually.
3. Each Zodiac Lantern was initially a concept drawing provided to the City by a prominent Australian Chinese artist. These concepts were developed further in consultation with that artist and the Chinese New Year Curator into renders and drawings prior to being issued for tender. Images of the Zodiac Lanterns are included in Attachment A.
4. The build and delivery of the 2019 Sydney Chinese New Year Zodiac Lanterns tender included:
 - Lantern 1: Hero Pig by artist Justin Hua;
 - Lantern 2: Monkey by artist Louise Zhang;
 - Lantern 3: Sheep by artist Pamela See; and
 - Lantern 4: Pig Chandelier by artist McDermott Baxter.

Invitation to Tender

5. The tender was released to market on Tuesday 21 August, 2018, and closed at 11.00am on Tuesday, 11 September 2018. The tender was advertised for a period of three weeks and was advertised in The Sydney Morning Herald, The Daily Telegraph and on the City's eTender platform, Tenderlink.

Tender Submissions

6. Five submissions were received from the following organisations:
 - Gorilla Constructions Pty Ltd;
 - Pink Cactus;
 - Rosemonts Co Pty Ltd;
 - Staging Rentals Pty Ltd; and
 - Yippee KiYay Pty Ltd.
7. No late submissions were received.

Tender Evaluation

8. All members of the Tender Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.
9. The relative ranking of tenders as determined from the total weighted score is provided in the Confidential Tender Evaluation Summary – Attachment B.
10. All submissions were assessed in accordance with the approved evaluation criteria being:
 - (a) demonstrated previous experience on similar projects;
 - (b) demonstrated company resources including company structure, key personnel working on the project, scenic workshop facilities and technical abilities to fulfil brief;
 - (c) proposed methodology of construction including sketches and illustrations to demonstrate the approach;
 - (d) demonstrated effective communication methods to meet construction deadlines and inspection milestones;
 - (e) demonstrated commitment to Work, Health and Safety (WHS);
 - (f) financial and commercial trading integrity, including insurances; and
 - (g) lump sum price and schedule of rates.

Performance Measurement

11. The City will use the following General Key Performance Indicators to evaluate performance of suppliers.
 - (a) key objectives/deliverables;
 - (b) quality of work;
 - (c) time;
 - (d) reporting;
 - (e) communication; and
 - (f) WHS compliance.
12. Performance will be evaluated regularly, at least annually, and always upon completion of the contract. Each assessment will form the basis of the performance review.

Financial Implications

13. There are sufficient funds allocated for this project within the current year's capital works/operating budget and future years' forward estimates.

Relevant Legislation

14. The tender has been conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Contracts Policy.
15. Attachments B and C contain confidential commercial information of the tenderers and details of Council's tender evaluation and contingencies which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
16. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

17. Critical dates and timeframes:
 - 1 November 2018 - Pre-build meeting with creative team.
 - 26 November 2018 - First formal inspection by the City.
 - 17 December 2018 - Second formal inspection by the City.
 - 14 January 2019 - Third and final formal inspection by the City.
 - 27 January 2019 - Installation period.
 - 1 February 2019 to 10 February 2019 – Exhibition.
 - 10 February to 13 February 2019 - De-installation.

Options

18. With regard to Lantern 3: Sheep by artist Pamela See, Council has the following options to consider in regard to this tender requirement:
 - (a) reject the responses received and re-advertise, which is not recommended as it is considered this will not attract additional submissions; or
 - (b) reject all responses and negotiate with suitable suppliers.
19. This report recommends option (b) above to enter into negotiations with selected suppliers for Lantern 3: Sheep by artist Pamela See only.

Public Consultation

20. No public consultation required.

ANN HOBAN

Director, City Life

Christopher Baglot, Production Manager, Major Events and Festivals

Attachment A

**2019 Sydney Chinese New Year Zodiac
Lanterns - Images**

Lantern 1: Hero Pig by Justin Hua

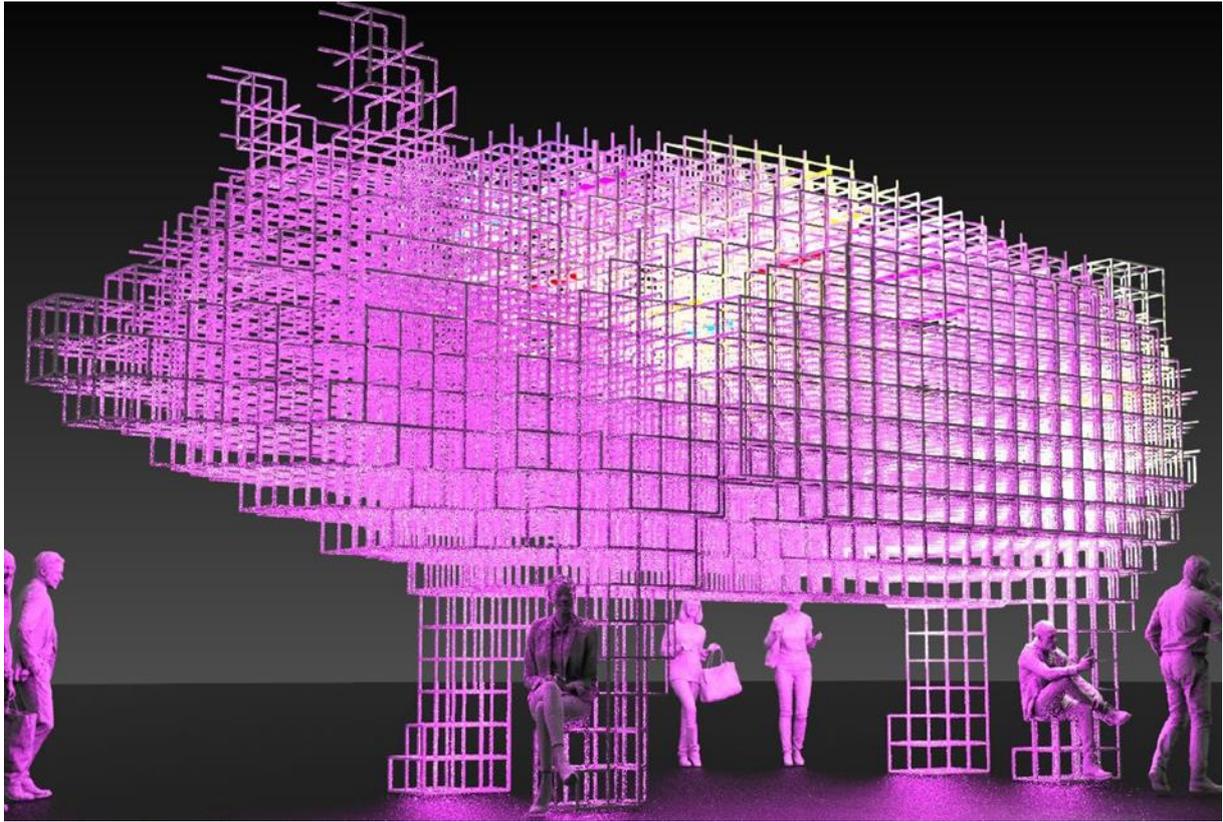
Details:

The pig lantern consists of a deconstructed three-dimensional grid, forming the abstract shape of a pig.

The 3D grid will be constructed from a light weight material such as slender aluminium tubes or steel rods, which are painted in a reflective pale pink paint. The structure of the pig will be delicate and airy in appearance. The silhouette of the pig will be spiky and rough in appearance as the ends of the poles do not need to be neat and perfectly cubed. In some areas, the density of the pig should be more transparent and have less rods. Some of the steel/aluminium rods will be replaced with lighting tubes.

The stance of the pig is to appear as if it's walking, thus the legs of the pig should be slightly asymmetrical. The belly of the pig should be tall enough to allow a person to interact and walk underneath the lantern. If safety issues are not an issue, the belly should also have a spiky appearance. Design reference is made to Sou Fujimoto's Serpentine Pavilion in London's Kensington Gardens (images below).





Lantern 2: Monkey by Louise Zhang

Details:

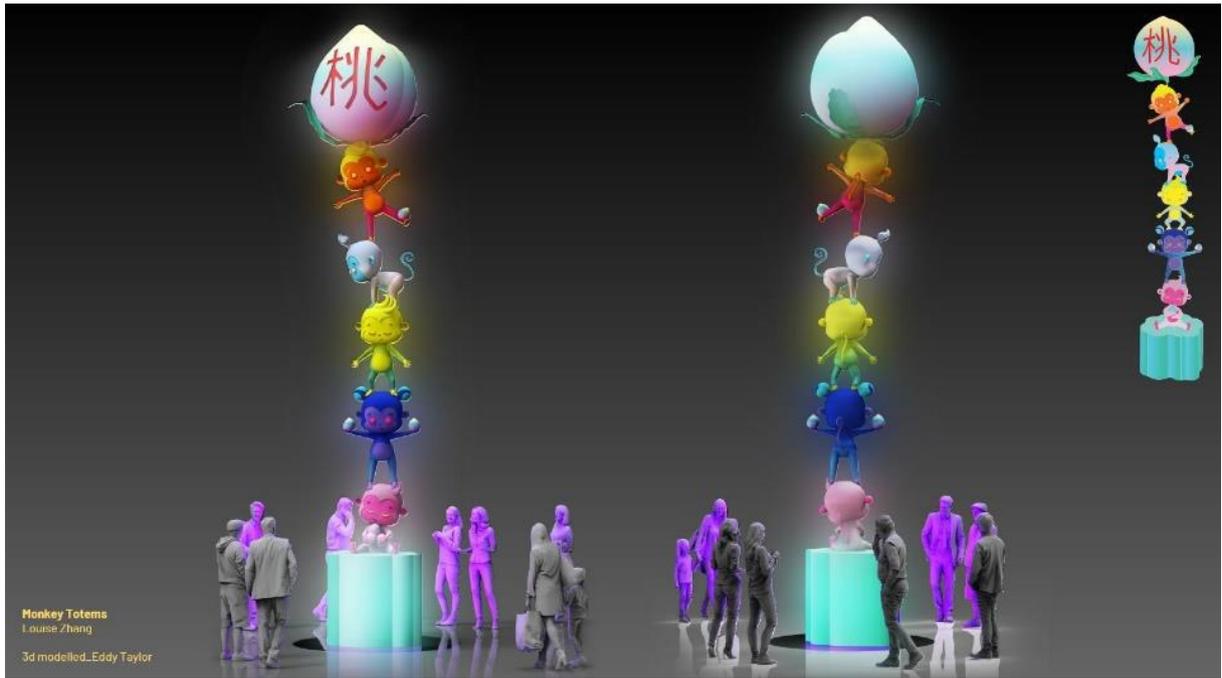
A group of monkey totems, with the largest totem topped with a peach which symbolises 'long life'. The monkey is playful and child-like with poses that mimic acrobats hopping on each other's shoulders. Monkeys are brightly coloured and highly saturated with the base of the monkey totem to sit on a lotus shaped podium. Each monkey measures about 1m high, similar to a child's height.

The peach features throughout the totem with the monkeys balancing the peach in their hands/feet. The peaches will have a soft glow or twinkle effect. The character on the large peach is "tao" meaning peach in Chinese. Peaches displayed in folklore and myths generally reference the xiantao which is the Immortal Peach.

We require five totems in total:

- 1 x totem with 5 monkeys and a peach top
- 2 x totems with 2 monkeys
- 1 x totem with 1 monkey
- 1 x lotus totem only (so people can stand on it and get a photo taken)





Lantern 3: Sheep by Pamela See

Details:

The title 'Electric Sheep' is in reference to the Philip K Dick science fiction novel "Do Androids Dream of Electric Sheep". The style of the design is in homage to the tradition of applying paper cut designs to lanterns that commenced during the Song Dynasty (960-1279). The sheep has rounded horns that are both consistent with the "Year of the Ram" and the favoured breed of sheep in Australia: The Merino.

The paper cut effect of the sheep will be achieved with powder coated steel. The steel will be laid on top of coloured acrylic, except for the horns and tail which will be steel only which slightly pops out of the lantern. The overall design is to make the Sheep look two dimensional, like a flat piece of folded paper.

The height of the sheep will enable people to walk underneath the lantern and view the paper cuts from underneath. The treatment and style of the steel paper cuts will be consistent across the five sheep proposed, the only difference is the colour of the acrylic it is laid over.

Lighting will be housed between the acrylic and steel frames and will spill through the papercuts. Five colours are required.







Lantern 4: Pig Chandelier by McDermott Baxter

Details:

This lantern consists of concentric rings of flying pigs made from laser cut aluminium which will be gold anodised – a very robust and long lasting finish suitable for outdoors. Each 'ring' of pigs will be illuminated by strip LEDs which should have RGB control to give a dynamic appearance of reds and golds. The form of the lantern is inspired by European style chandeliers symbolising celebration in a public place with a nod to the tiered look of many Chinese lanterns.

In both locations, the lantern could be suspended off existing rigging points at approximately 3.5 metres above the ground, however adjustments for trucks may be required.

Key Dimensions:

Square (Dixon St) – 2.5m x 2.5m x 2.2m high (approx.)

Round (Pitt St) - 2.5m diameter x 2.2m high (approx.)





Concept Rendering - Pitt St Mall

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Item 9.**Tender - Reject and Negotiate - Sydney Park Amenities****File No: S105327****Tender No: 1859****Summary**

This report provides details of the tenders received for Sydney Park Amenities.

Two new amenities blocks and a kiosk were designed and approved for development in Sydney Park to meet the demands of a growing community. The kiosk and one of the amenities blocks were constructed in 2010. The Stage 2 work covers completion of the second amenities block, located adjacent to the Sydney Park Cycling Centre at 410 - 416 Sydney Park Road, Alexandria.

Tender submissions received for Sydney Park Amenities were evaluated as being non-compliant.

This report recommends that no tender be accepted and the City enters into negotiations with suitably qualified companies for the construction of Sydney Park Amenities.

Recommendation

It is resolved that:

- (A) Council reject all tenders received for Sydney Park Amenities for the reasons set out in the Confidential Tender Evaluation Summary, Attachment A to the subject report;
- (B) Council does not invite fresh tenders, as it is considered that inviting fresh tenders would not attract additional suitable vendors over and above those that have responded to this tender;
- (C) authority be delegated to the Chief Executive Officer to enter into negotiations with any person with a view to entering into a contract in relation to the subject matter of the tender; and
- (D) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contracts relating to the tender.

Attachments

Attachment A. Tender Evaluation Summary (Confidential)

Background

1. The Council engaged Mather & Associates Landscape Architects as head consultants for the redevelopment of Sydney Park. Stanic Harding Architects were engaged by the head consultant to provide architectural services for the design and documentation of two toilet facilities and a kiosk building.
2. The building of the proposed amenities has been coordinated with the requirements developed in the Sydney Park Detailed Master Plan 2007, which concentrated on the North West sector of the park. The Sydney Park Detailed Master Plan 2007 in turn is based on Master Plan May 2006, prepared by Aspect Sydney. Feedback from Council, the head consultant and community consultation informed the development of the design proposal.
3. A Development Application for both new amenities blocks and the kiosk was approved under D/2007/1772.
4. The kiosk building and the amenities block located adjacent to the children's playground have been completed as part of Stage 1 of the park development. Funding for the second amenities block was not allocated for Stage 1 of the park development, but was set aside for future stages.
5. On 8 December 2014, Council endorsed the project scope for the Sydney Park Cycling Centre Precinct upgrade. The scope includes improvement to access and amenity in the precinct with new connecting pathways, landscaping, picnic settings and a new amenities building.
6. Aileen Sage Architect were engaged in July 2015 to revise and finalise the design for the new amenities building.

Invitation to Tender

7. The Request for Tender was released via Tenderlink on 14 August 2018 and closed three weeks later on Tuesday 4 September 2018 at 11am. The tender was advertised in The Sydney Morning Herald and The Daily Telegraph on 14 August 2018.

Tender Submissions

8. One submission was received from the following organisation:
 - 2020 Project Pty Ltd.
9. No late submissions were received.

Tender Evaluation

10. All members of the Tender Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.
11. The relative ranking of tenders as determined from the total weighted score is provided in the Confidential Tender Evaluation Summary – Attachment A.

All submissions were assessed in accordance with the approved evaluation criteria being:

- (a) the lump sum price and schedule of prices;
- (b) demonstrated experience in carrying out works of similar size and nature;
- (c) personnel allocation, qualifications, experience and capacity, including subcontractors;
- (d) proposed program;
- (e) proposed methodology including pedestrian and traffic management and environmental management plan;
- (f) Work, Health and Safety; and
- (g) financial and commercial trading integrity, including insurance.

Performance Measurement

12. Upon entering into a contract, the City will ensure performance standards are monitored against specific key performance indications:
 - (a) key objectives/deliverables as set out in the specification of this request for tender;
 - (b) quality of work - all works will be inspected and certified by the relevant authority at the completion of works;
 - (c) time;
 - (d) reporting; and
 - (e) Work, Health and Safety compliance.

Financial Implications

13. There are sufficient funds allocated for this project within the current year's capital works/operating budget and future years' forward estimates.

Relevant Legislation

14. The tender has been conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Contracts Policy.

Attachment A contains confidential commercial information of the tenderers and details of Council's tender evaluation and contingencies which, if disclosed, would:

- (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
15. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

16. Program Key Millstones:

(a)	Negotiations with suitable companies	November 2018
(b)	Chief Executive Officer appoints contractor	January 2019
(c)	Contract with successful tenderer	January 2019
(d)	Site establishment	February 2019
(e)	Project completion	Pending tender negotiations

Options

17. Council has the following options in regards to this tender:

- (a) reject all tenders and re-advertise, which is not recommended as it is considered this will not attract additional submissions; or
- (b) reject and negotiate with suitably qualified contractors with demonstrated capacity to carry out the works and delegate authority to the Chief Executive Officer to enter into a lump sum contract. This option is recommended.

18. Council has the option of not proceeding with this project by resolving not to accept an offer from any of the tendering parties. However, if this project does not proceed, the City may receive complaints from the community for not providing enough toilets to alleviate the concentration of demand on the existing amenities in Sydney Park.

Public Consultation

19. The first stage of community consultation was carried out between 10 June and 22 June 2014. An initial scheme was prepared, showing a new bike track facility relocated to the north-west section of the park, close to the existing all abilities playground.
20. In response to the consultation feedback a revised location was developed close to the existing location, and an updated concept plan prepared.
21. Community consultation for the updated concept plan was carried out between 30 October and 14 November 2014. The updated concept plan locates the facility within the Sydney Park Cycling Centre precinct and brings together the existing cycling centre, new children's bike track, new toilet facility and relocated shade structure.
22. The following engagement activities were conducted:
 - (a) a webpage dedicated to the consultation was created on sydneyoursay.com.au displaying the consultation material and a survey form for those wishing to make a submission; and
 - (b) the concept design was displayed at the One Stop Shop in Town Hall House and at the Redfern Neighbourhood Service Centre.
23. In response to stakeholder and community feedback, the updated concept plan addresses key issues raised in the consultation process:
 - (a) the revised location of the bike track in the updated proposal reduces the conflict between park users by locating the facility further away from the already busy playground kiosk and green;
 - (b) the new location maintains the existing green open space adjacent to the playground, and the location of the facility avoids further concentration of demand on the western car parking area; and
 - (c) the inclusion of toilets in the new location will avoid further concentration of demand on the playground toilets.

AMIT CHANAN

Director City Projects and Property

Paula Yu, Project Manager

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

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Item 10.

Grants and Sponsorship – Round Two 2018/19 – Economic Grants – Business Support Grants – Live Music and Performance and Night Time Diversification

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. To achieve the objectives of Sustainable Sydney 2030 requires partnership between government, business and the community.

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 bring to life Sustainable Sydney 2030 and the City of Villages it envisions.

The City advertised the following two categories of the Business Support Grant Program as part of Round Two of the annual Grants and Sponsorship Program for 2018/19:

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

For the Business Support Grants - Live Music and Performance program, 17 eligible applications were received. This report recommends nine grants to a total value of \$152,892 in cash for the 2018/19 financial year.

For the Business Support Grants - Night Time Diversification program, 25 eligible applications were received. This report recommends eight grants to a total value of \$113,465 in cash for the 2018/19 financial year.

All figures in this report exclude GST.

On 11 December 2017, Council adopted a revised Grants and Sponsorship Policy. All grants in this report were assessed against criteria and guidelines set out in this policy with reference to Sustainable Sydney 2030, the Creative City Cultural Policy and Action Plan 2014 - 2024, the OPEN Sydney Strategy and Action Plan, the Economic Development Strategy and the Live Music and Performance Action Plan 2014.

All grant recipients will be required to sign a contract, meet specific performance outcomes and acquit their grant.

Recommendation

It is resolved that:

- (A) Council approve the cash grant recommendations for 2018/19 under the Business Support Grants - Live Music and Performance Program listed as follows:

Applicant	Project Name	Project Description	\$ Amount Recommended	Conditions
Amalgamated Hotels Pty Limited	Sound control upgrade: Marlborough Hotel Newtown	Installation of new sound control and monitoring equipment, upgraded speakers and noise reduction systems to improve audience experience and reduce impacts outside the venue.	\$25,000	Nil
Big Beat (Australia) Pty Limited	Backline Live Music Equipment: Home The Venue Cockle Bay Wharf	Purchase of backline sound equipment suitable for a wide range of bands and promoters, to increase live events and build a more diverse audience.	\$20,000	Applicant to work with Live Music Strategy Advisor
Claire's Kitchen Trading Pty Ltd	Sound and lighting upgrades: Claire's Kitchen, Oxford Street	Installation of new sound and lighting equipment and sound-proofing to extend and improve live music and other events and to attract new artists and audiences.	\$8,084	Nil

Greensol Nominees Pty Ltd & Barbru Pty Ltd	Sound system upgrade: Green Park Hotel Darlinghurst	Installation of a new sound system to provide a better experience for audiences and artists, and reduce impacts outside the venue.	\$20,000	Applicant to work with Live Music Strategy Advisor
Pocket Group Pty Ltd	Reinvent Darlinghurst: Pocket Bar Burton St Darlinghurst	Installation of acoustic treatments, sound and staging equipment to create a new venue for live performances, including music and comedy, supporting local emerging artists.	\$15,000	Applicant to work with Live Music Strategy Advisor
Rebel And Rogue Music Pty Ltd	Sound and lighting equipment upgrade: Leadbelly, Newtown	Installation of new sound and lighting equipment to improve artist and audience experience.	\$23,750	Nil
The Cliff Dive Pty Ltd	Staging and sound system upgrade: The Cliff Dive Oxford Street	Installation of new stage and sound system to increase venue flexibility, and diversity of live artist programming.	\$9,469	Applicant to submit additional quotes Applicant to work with Live Music Strategy Advisor
The Trustee for Potts Point Hotel Unit Trust	Upgrade PA, backline systems, staging and lighting equipment: Potts Point Hotel	Purchase and installation of new PA and back-line systems, staging and lighting solutions, to attract a wider range of live music and performance artists, improve audience experience and minimise impacts outside the venue.	\$20,000	Applicant to provide plan of management

The Trustee for Yulli's Brews Unit Trust	New live music venue; Yulli's Brewery, Alexandria	Installation of sound, lighting and stage equipment, to develop the vegan brewery, bar and restaurant into a new live music venue.	\$11,589	Applicant to submit a revised budget Applicant to work with Live Music Strategy Advisor
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(B) Council approve the cash grant recommendations for 2018/19 under the Business Support Grants - Night Time Diversification Program listed as follows:

Applicant	Project Name	Project Description	\$ Amount Recommended	Conditions
Afters Group Pty Ltd	Afters Brand DJ shows at the Oxford Hotel and Club 77	A program of monthly events on Saturday nights featuring International DJs new to Australia at the Oxford Hotel and Club 77, plus weekly events starting on Sundays at 5am at Club 77 with local and international DJs.	\$15,000	Nil
Bernadette Mary Foley trading as Broadcast Books	Writers Talks by Broadcast Books Darlinghurst	A program of quarterly events at The Cross Arts Projects Gallery, Potts Point, featuring leading authors and industry experts connecting with emerging authors, audiences and the community.	\$1,500	Nil
Claire's Kitchen Trading Pty Ltd	Sunday Pop Ups at Claire's Kitchen, Darlinghurst	A program of Sunday night events including jazz, classical, burlesque and magic, aimed at an older demographic including LGBTQI and international customers, at Claire's Kitchen Darlinghurst.	\$18,500	Nil

Footage Lifestyle Pty Ltd	Footage After Hours at Footage Boutique, Darlinghurst	A program of monthly night-time "Meet the Maker" events, introducing artisans such as perfumers, candle makers, and chocolatiers at Footage Boutique, Darlinghurst.	\$10,000	Subject to DA approval
Marcus Papapopoulo trading as Whole Beast Butchery	The Butcher and the Chef culinary events at Whole Beast Butchery Potts Point	A fortnightly program of ticketed event dinners, with butchery and cooking demonstrations, in a traditional butcher shop with a modern twist, the Whole Beast Butchery, Potts Point.	\$25,000	Nil
Music NSW Incorporated	MusicNSW All-Ages Gig Series at 107 Projects Redfern	A program of monthly all-ages gigs at 107 Projects in Redfern, programmed and delivered by a Young People's Advisory Committee.	\$15,000	Nil
T.R Hespe & T.E Kennedy	Grand Nights at the Grand Days store, Kings Cross	A program of night time events, focusing on film screenings, vintage fashion and live music at Grand Days recycled and reused goods store, Kings Cross.	\$8,465	Nil
The Commune Collective Pty Ltd	Quarterly and weekly events: COMMUNE Our Hood, Waterloo	A program of major quarterly and smaller weekly night-time events celebrating culture, community, artistic expression and emerging Sydney talent, at the Commune, Waterloo.	\$20,000	Nil

- (C) Council note that all grant amounts are exclusive of GST and all value-in-kind offered is subject to availability; and
- (D) 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.

Attachments

- Attachment A.** Round Two 2018/19 – Recommended for Funding – Live Music and Performance
- Attachment B.** Round Two 2018/19 – Not Recommended for Funding – Live Music and Performance
- Attachment C.** Round Two 2018/19 – Recommended for Funding – Business Support Grants – Night Time Diversification
- Attachment D.** Round Two 2018/19 – Not Recommended for Funding – Business Support Grants – Night Time Diversification

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 18 June 2018, the City announced round two of the annual grants program for 2018/19 as being open for application on the City's website, with grant applications closing on 23 July 2018.
3. The two categories of the Business Support Grant promoted were:
 - (a) Live Music and Performance; and
 - (b) Night Time Diversification.
4. 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 Google AdWords. 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.
5. Following adoption of the revised Grants and Sponsorship Policy on 11 December 2017, the Business Support Grant categories are now open to appropriately incorporated for-profit organisations and partnerships.
6. Fifteen applications were received this round from for-profit organisations and trusts through the Business Support Grant - Live Music and Performance category and the following nine for-profit organisations are recommended in this report:
 - (a) Amalgamated Hotels Pty Limited;
 - (b) Big Beat (Australia) Pty Limited;
 - (c) Claire's Kitchen Trading Pty Ltd;
 - (d) Greensol Nominees Pty Ltd & Barbru Pty Ltd;
 - (e) Pocket Group Pty Ltd;
 - (f) Rebel And Rogue Music Pty Ltd;
 - (g) The Cliff Dive Pty Ltd;
 - (h) The Trustee for Potts Point Hotel Unit Trust; and
 - (i) The Trustee for Yulli's Brews Unit Trust.
7. Twenty-four 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 seven for-profit organisations are recommended in this report:
 - (a) Afters Group Pty Ltd;

- (b) Bernadette Mary Foley trading as Broadcast Books;
 - (c) Claire's Kitchen Trading Pty Ltd;
 - (d) Footage Lifestyle Pty Ltd;
 - (e) Marcus Papapopoulo trading as Whole Beast Butchery;
 - (f) T.r Hespe & T.e Kennedy; and
 - (g) The Commune Collective Pty Ltd.
8. The Night Time Diversification grant was promoted through one-on-one engagement with businesses along Oxford Street, Potts Point and Newtown. A total of 81 businesses were visited to discuss the benefits that trading later can offer, including increased customer interaction, promotional opportunities and leveraging event audiences. A further 33 meetings were held with interested businesses to discuss potential activities and ideas proposed. The City also presented on the Night Time Diversification Grant opportunities at the Liquor Accord meetings.
9. This was supplemented by a digital campaign through the City's social media channels and dissemination through Business Chambers, Liquor Accords and Nightlife and Creative Sector Advisory Panel member channels.
10. There were a total of 42 grant applications received under the Business Support Grants. Seventeen are recommended for funding as detailed in this report.
11. 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.
12. All grants and sponsorships are recommended on the condition that any required approvals, permits and development consents are obtained by the applicant.
13. 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.
14. 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.
15. In assessing the grant applications, the assessment panels included in their considerations and recommendations:
- (a) Sustainable Sydney 2030;
 - (b) Grants and Sponsorship Policy;
 - (c) Creative City Cultural Policy and Action Plan;

- (d) Economic Development Strategy;
 - (e) OPEN Sydney Strategy and Action Plan; and
 - (f) Live Music and Performance Action Plan.
16. 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.
17. 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 \$30,000 for capital works and expenditure on project management, infrastructure and equipment)

18. 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 facilities. 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.
19. The assessment panel for the Live Music and Performance Program was comprised of Manager Grants for the City of Sydney and representatives from Music NSW (the state's peak industry body for the contemporary music sector), Generate (an arts and creative business planning and accounting firm), and two freelance peers from the live music sector (programmers and event producers).
20. The applications recommended for the Live Music and Performance Program are outlined in Attachment A to this report. The applications that are not recommended are listed in Attachment B to this report.

21. The 2018/19 Business Support Grants – Live Music and Performance budget is summarised as follows:

Total cash budget	\$267,427
Total cash committed to previously approved applications	\$114,535
Total cash amount available for allocation	\$152,892
Total number of eligible applications	17
Total cash requested	\$357,351
Total number of applications recommended for cash support	9
Total amount of funding cash recommended	\$152,892
Amount remaining for subsequent allocation of the program	\$0

Business Support Grants - Night Time Diversification (grants of up to \$30,000 a year for up to two years' funding)

22. 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).
23. The assessment panel for the Night Time Diversification program was comprised of Night Time City Manager, Project Manager – Night Time City, Economic Strategy Advisor - Retail and Tourism Sectors, Cultural Strategy Advisor – Live Music and Performance.
24. The applications recommended for the Night Time Diversification Program are outlined in Attachment C to this report. The applications that are not recommended are listed in Attachment D to this report.

25. The 2018/19 Business Support Grants - Night Time Diversification Program budget is summarised as follows:

Total cash budget	\$226,165
Total cash committed to previously approved applications	\$112,700
Total cash amount available for allocation	\$113,465
Total number of eligible applications	25
Total cash requested	\$577,720
Total number of applications recommended for cash support	8
Total amount of funding cash recommended	\$113,465
Amount remaining for subsequent allocation of the program	\$0

Key Implications

Strategic Alignment - Sustainable Sydney 2030 Vision

26. 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 program of recommended grants is aligned with the following strategic directions and objectives:
- Direction 6 - Vibrant Local Communities and Economies - the recommended grant projects in this report contribute to fostering strong and sustainable local economies.
 - 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

27. 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

28. The anticipated outcomes of this grant program include:
- greater diversity of business offerings at night;
 - safer, more vibrant and engaging commercial precincts after dark;
 - a greater range of cultural activity offered in unexpected ways in new venues and spaces; and
 - an increased quantity and quality of live music and performance venues and programming.
29. 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

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

Budget Implications

32. A total of \$266,357 in cash from the 2018/19 budget, as follows:
 - (a) Business Support Grant – Live Music and Performance \$152,892 is provided in the budget of \$267,427; and
 - (b) Business Support Grant - Night Time Diversification– \$113,465 is provided in the budget of \$226,165.
33. Savings were identified in the Festivals and Events (Village and Community) budget and reallocated into the Business Support Grant budgets for Live Music and Performance and Night Time Diversification.

Relevant Legislation

34. 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.
35. Section 356(3)(a) - (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
 - a. Live Music and Performance; and
 - b. Night Time Diversification;
 - (b) the details of these programs have been included in Council's operation plan for financial year 2018/19;
 - (c) the program's proposed budgets do not exceed five per cent of Council's proposed income from ordinary rates for financial year 2018/19; and
 - (d) these programs apply to a significant group of persons within the local government area.

Critical Dates / Time Frames

36. Projects funded through this round of Business Support Grant will commence after 1 January 2019 and are expected to be completed within 12 months of the receipt of grant funds. 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

37. For all programs open to application in round two of the annual grants and sponsorship program for 2018/19, two question and answer sessions were held in Town Hall House to assist potential applicants with their applications on the following dates:
 - (a) Wednesday 4 July 2018 from 4pm – 7pm; and
 - (b) Tuesday 10 July 2018 from 4pm – 7pm.
38. Sixty-seven meetings were held across the two question and answer sessions where prospective applicants sought advice from City staff about their project proposals and the application process.
39. Eighty-one per cent of these attendees advised they had not applied for a City of Sydney grant previously.

ANN HOBAN

Director City Life

Tonna Johanson, Grants Coordinator

Attachment A

**Round Two 2018/19 – Recommended for
Funding – Live Music and Performance**

Business Support Grant

Recommended for Funding

Business Support Grant - Live Music and Performance 2018-19 Round 2					
Organisation Name	Project Name	Project Description	\$ Amount Requested	\$ Amount Recommended	Conditions
RECOMMENDED FOR FUNDING					
Amalgamated Hotels Pty Limited	Sound control upgrade: Marlborough Hotel Newtown	Installation of new sound control and monitoring equipment, upgraded speakers and noise reduction systems to improve audience experience and reduce impacts outside the venue.	\$25,000	\$25,000	Nil
Big Beat (Australia) Pty Limited	Backline Live Music Equipment: Home The Venue Cockle Bay Wharf	Purchase of backline sound equipment suitable for a wide range of bands and promoters, to increase live events and build a more diverse audience.	\$27,272	\$20,000	Applicant to work with Live Music Strategy Advisor
Claire's Kitchen Trading Pty Ltd	Sound and lighting upgrades: Claire's Kitchen, Oxford Street	Installation of new sound and lighting equipment and sound-proofing to extend and improve live music and other events and to attract new artists and audiences.	\$8,084	\$8,084	Nil
Greensol Nominees Pty Ltd & Barbru Pty Ltd	Sound system upgrade: Green Park Hotel Darlinghurst	Installation of a new sound system to provide a better experience for audiences and artists, and reduce impacts outside the venue.	\$23,124	\$20,000	Applicant to work with Live Music Strategy Advisor
Pocket Group Pty Ltd	Reinvent Darlinghurst: Pocket Bar Burton St Darlinghurst	Installation of acoustic treatments, sound and staging equipment to create a new venue for live performances, including music and comedy, supporting local emerging artists.	\$30,000	\$15,000	Applicant to work with Live Music Strategy Advisor
Rebel And Rogue Music Pty Ltd	Sound and lighting equipment upgrade: Leadbelly, Newtown	Installation of new sound and lighting equipment to improve artist and audience experience.	\$23,750	\$23,750	Nil
The Cliff Dive Pty Ltd	Staging and sound system upgrade: The Cliff Dive Oxford Street	Installation of new stage and sound system to increase venue flexibility, and diversity of live artist programming.	\$9,469	\$9,469	Applicant to submit additional quotes

Business Support Grant - Live Music and Performance 2018-19 Round 2

Organisation Name	Project Name	Project Description	\$ Amount Requested	\$ Amount Recommended	Conditions
RECOMMENDED FOR FUNDING					
					Applicant to work with Live Music Strategy Advisor
The Trustee for Potts Point Hotel Unit Trust	Upgrade PA, backline systems, staging and lighting equipment: Potts Point Hotel	Purchase and installation of new PA and back-line systems, staging and lighting solutions, to attract a wider range of live music and performance artists, improve audience experience and minimise impacts outside the venue.	\$30,000	\$20,000	Applicant to provide plan of management
The Trustee for Yulli's Brews Unit Trust	New live music venue; Yulli's Brewery, Alexandria	Installation of sound, lighting and stage equipment, to develop the vegan brewery, bar and restaurant into a new live music venue.	\$11,589	\$11,589	Applicant to submit a revised budget Applicant to work with Live Music Strategy Advisor

Attachment B

**Round Two 2018/19 – Not Recommended
for Funding – Live Music and Performance**

Business Support Grant

Not Recommended for Funding

Business Support Grant - Live Music and Performance 2018-19 Round 2			
Organisation Name	Project Name	Project Description	\$ Amount Requested
NOT RECOMMENDED FOR FUNDING			
Carriageworks Limited	Updating Carriageworks' DA	Engagement of consultants to develop required documentation to update the Carriageworks' DA, to expand facilities and increase capacity for large scale live music events.	\$30,000
Cultural Organisation Of Developmental Arts. Coda Ltd	Establish new live performance venue: CODA Glebe	Purchase of audio and lighting equipment for a new live music venue, particularly aimed at new and emerging performers, managed by the Cultural Organisation of Developmental Arts (CODA).	\$17,850
Dogrow Pty. Limited	Sound and stage upgrades: 3 Wise Monkeys Hotel, Sydney	Installation of an expanded audio system and controls and temporary staging facilities to allow use of two additional levels of the venue for live performances.	\$19,132
Edco Group Pty Ltd	Live Music at The Doss House	A program of local live music to showcase a variety of different music styles at the Doss House, The Rocks.	\$9,500
Henson Travel Pty Limited	Soundproofing and sound system: Best Music Warehouse, Glebe	Sound equipment upgrade and noise reduction measures to enable live music offerings.	\$15,581
The Experience Entertainment Group Pty Ltd	Sound and lighting upgrade, Soda Factory Surry Hills	Sound and lighting equipment upgrade to improve facilities for performers and audiences, and allow for an expansion of live entertainment programming.	\$17,000
Universal Hotels Group Pty Ltd	Upgrade sound, lighting and staging equipment: Midnight Shift Hotel Darlinghurst	Installation of staging, sound and lighting equipment and acoustic treatment, to support diverse live performances at the re-opened venue.	\$30,000
Vinpetrin Pty Limited	Equipment and soundproofing upgrade: Flinders Hotel Surry Hills	Sound and lighting equipment upgrade to improve artist and audience experience, and installation of soundproofing.	\$30,000

Attachment C

**Round Two 2018/19 – Recommended for
Funding – Business Support Grants – Night
Time Diversification**

Business Support Grant

Recommended for Funding

Business Support Grant - Night Time Diversification 2018-19 Round 2					
Organisation Name	Project Name	Project Description	\$ Amount Requested	\$ Amount Recommended	Conditions
RECOMMENDED FOR FUNDING					
Afters Group Pty Ltd	Afters Brand DJ shows at the Oxford Hotel and Club 77	A program of monthly events on Saturday nights featuring International DJs new to Australia at the Oxford Hotel and Club 77, plus weekly events starting on Sundays at 5am at Club 77 with local and international DJs.	\$30,000	\$15,000	Nil
Bernadette Mary Foley trading as Broadcast Books	Writers Talks by Broadcast Books Darlinghurst	A program of quarterly events at The Cross Arts Projects Gallery, Potts Point, featuring leading authors and industry experts connecting with emerging authors, audiences and the community.	\$1,500	\$1,500	Nil
Claire's Kitchen Trading Pty Ltd	Sunday Pop Ups at Claire's Kitchen, Darlinghurst	A program of Sunday night events including jazz, classical, burlesque and magic, aimed at an older demographic including LGBTQI and international customers, at Claire's Kitchen Darlinghurst.	\$28,200	\$18,500	Nil
Footage Lifestyle Pty Ltd	Footage After Hours at Footage Boutique, Darlinghurst	A program of monthly night-time "Meet the Maker" events, introducing artisans such as perfumers, candle makers, and chocolatiers at Footage Boutique, Darlinghurst.	\$19,920	\$10,000	Subject to DA approval
Marcus Papapopoulo trading as Whole Beast Butchery	The Butcher and the Chef culinary events at Whole Beast Butchery Potts Point	A fortnightly program of ticketed event dinners, with butchery and cooking demonstrations, in a traditional butcher shop with a modern twist, the Whole Beast Butchery, Potts Point.	\$30,000	\$25,000	Nil
Music NSW Incorporated	MusicNSW All-Ages Gig Series at 107 Projects Redfern	A program of monthly all-ages gigs at 107 Projects in Redfern, programmed and delivered by a Young People's Advisory Committee.	\$30,000	\$15,000	Nil

Business Support Grant - Night Time Diversification 2018-19 Round 2

Organisation Name	Project Name	Project Description	\$ Amount Requested	\$ Amount Recommended	Conditions
RECOMMENDED FOR FUNDING					
T.R Hespe & T.E Kennedy	Grand Nights at the Grand Days store, Kings Cross	A program of night time events, focusing on film screenings, vintage fashion and live music at Grand Days recycled and reused goods store, Kings Cross.	\$8,465	\$8,465	Nil
The Commune Collective Pty Ltd	Quarterly and weekly events: COMMUNE Our Hood, Waterloo	A program of major quarterly and smaller weekly night-time events celebrating culture, community, artistic expression and emerging Sydney talent, at the Commune, Waterloo.	\$30,000	\$20,000	Nil

Attachment D

**Round Two 2018/19 – Not Recommended
for Funding – Business Support Grants –
Night Time Diversification**

Business Support Grant

Not Recommended for Funding

Business Support Grant - Night Time Diversification 2018-19 Round 2			
Organisation Name	Project Name	Project Description	\$ Amount Requested
NOT RECOMMENDED FOR FUNDING			
Amber Maxwell trading as Fashion Music Friends	Creating connection for women at Fashion Music Friends shop, Potts Point.	A program of bi-monthly events from December 2018 to December 2019, themed for fashion, music or friends, held in store or at local venues.	\$30,000
Doris Patricia Bishop	Live music expansion at the Hollywood Hotel Surry Hills	An expansion of a weekly live music program at the Hollywood Hotel, Surry Hills, introducing a regular mid-week event and a platform for emerging young artists.	\$20,250
Edco Group Pty Ltd	Live Music at the Doss House.	A weekly showcase of a variety of different music styles at the Doss House, The Rocks.	\$9,500
G & N Restaurant Holdings Pty Ltd	Reggae Hub at Rosie Campbell's restaurant Surry Hills	A program of live music expanded over five days of trading, focusing on reggae, at Rosie Campbell's, Surry Hills.	\$30,000
Sg Foodservice Pty Ltd	Aperitivo Jazz Sessions: La Rosa, The Strand Arcade	A program of early-evening jazz sessions on Thursdays, with young musicians from the Conservatorium of Music performing at La Rosa, The Strand Arcade.	\$30,000
Stilone Pty Ltd	Late Night Shopping with a Twist at The Bookshop Darlinghurst	Programming of monthly themed singles shopping nights and author events, with a focus on the local LGBTI community coinciding with an extension of trading hours to 10pm every day.	\$17,845
Swuav'e Pty Ltd	Newtown By Night events : Swuave menswear store, Newtown	A series of weekly rotating events on Saturday evenings, including collaborations with live musicians, fashion stylists, local hair stylists, and local artists.	\$9,050
The East Sydney Hotel Pty. Limited	Live Saturday performances at the East Sydney Hotel Woolloomooloo	A weekly program of live performances on Saturday nights to complement the long-running Sunday jazz program at the East Sydney Hotel, Woolloomooloo.	\$17,500

Business Support Grant - Night Time Diversification 2018-19 Round 2

Organisation Name	Project Name	Project Description	\$ Amount Requested
NOT RECOMMENDED FOR FUNDING			
The Experience Entertainment Group Pty Ltd	7 Days of Soda at the Soda Factory, Surry Hills	Expanded programming from six to seven days per week featuring a wide range of musicians and other live performers, at the Soda Factory, Surry Hills.	\$30,000
The lounge cafe Pty Ltd	Live Tuesdays at the Cafe Lounge, Surry Hills	Expanded weekly programming with an additional night of live music at the Café Lounge, Surry Hills.	\$30,000
The Mediterranean Sydney Pty Limited	Live Bands at The Med, Surry Hills	A regular program of live bands and other night time performances at the Mediterranean, Surry Hills.	\$25,000
The Trustee for Dove and Olive Hotel Unit Trust	Wednesday night Drag Bingo: Dove and Olive Hotel Surry Hills	Weekly Wednesday Bingo night, hosted by a professional Drag Bingo entertainer, in the Lounge Bar at the Dove and Olive, Surry Hills.	\$29,790
The Trustee for Potts Point Hotel Unit Trust	Expanded live programming at the Potts Point Hotel	An expanded weekly program of live music and entertainment dedicated to specific music and performance genres, including live bands, jazz, stand-up comedy and cabaret.	\$30,000
The trustee for The KX Operations Trust	Kings Cross Theatre at the Kings Cross Hotel, Potts Point	An annual program of theatre shows, rotating monthly, in association with bAKEHOUSE theatre, providing opportunities for a wide range of artists and audiences.	\$20,000
Universal Hotels Group Pty Ltd	Performance programming at Midnight Shift Hotel Darlinghurst	A weekly program of live performance offerings, focusing on the LGBTQI community at the re-opened Midnight Shift, Darlinghurst.	\$31,200
Vinpetrin Pty Limited	Improved live performance programming: Flinders Hotel, Darlinghurst	A weekly program of live music, engaging well-known performers as drawcard acts at the Flinders Hotel, Darlinghurst.	\$30,000
Yesdac Pty Ltd	iDarts electronic darts: iDarts Zen, Pitt Street	A series of electronic darts tournaments and special events, including live entertainment at iDarts Zen, Pitt Street.	\$9,500

Item 11.**Knowledge Exchange Sponsorship - Global Sydney Talent Connect Program****File No: X008789****Summary**

Gradability Pty Ltd (trading name Readygrad) has applied for a Knowledge Exchange Sponsorship of \$40,000 (excluding GST) per year for three years to help support the establishment of the Global Sydney Talent Connect Program. The program aims to support local small to medium businesses to connect with international students studying in the City of Sydney. This includes employability training for the international students, work integrated learning placement and mentoring with qualifying small to medium enterprises. If approved, the City's sponsorship will go towards the cost of 90 placements of Sydney-based international students into 90 small to medium enterprises in Sydney over three years.

Readygrad, founded and headquartered in Sydney CBD, is one of Australia's largest graduate employability specialists with a 12 year history of delivering work readiness training and work integrated learning placement programs. Readygrad has placed more than 12,000 international students with over 4,000 host companies. This unique and innovative program builds capacity of local businesses to engage globally and enhances employability outcomes for international students.

The City's recently endorsed International Education Action Plan identifies the need to support international students to gain work integrated learning opportunities, to increase their employability and strengthen their relationship with the local community. Access to meaningful work experience affects both study destination choice and the overall student experience.

The City's Economic Development Strategy identifies long-term, sustainable connections with Asia as a priority for the City in order to deliver greater benefits to the local economy. Nationally, four out of five international students are from Asia and, through this program, the City can support local small to medium businesses to build their engagement with Asia. The program will provide local small to medium businesses with access to global talent, cross cultural skill sets and capabilities to deepen their engagement with Asia. These opportunities include pursuing export opportunities, sourcing imports, developing offshore partnerships or enhancing product and service offerings for multicultural consumers to increase their customer base.

Readygrad will be responsible for delivery of all aspects, including sourcing and selection of students and host companies, delivery of training and coaching, sourcing and matching placements, monitoring and assessment and evaluation.

Recommendation

It is resolved that:

- (A) Council approve \$40,000 (exclusive of GST) cash support to Gradability Pty Ltd (trading as Readygrad) per year for three years for the coordination and delivery of the Global Sydney Talent Connect Program; and
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer a sponsorship agreement with Readygrad Pty Ltd.

Attachments

Nil.

Background

1. Gradability Pty Ltd (trading name Readygrad) is a market leader in work experience placements for international students.
2. Readygrad is an incorporated for-profit organisation and is a Registered Training Organisation accredited by the Australian Skills and Qualification Authority.
3. Work experience opportunities are one of the critical selection criteria when international students select a study destination and a key driver of satisfaction. International students struggle to find meaningful work and relevant work experience opportunities for a range of reasons, including the reluctance or inability of the small to medium sized enterprises sector (representing a large proportion of employers) to engage with them.
4. Small to medium sized businesses often find it difficult to engage with students and graduates and rarely have graduate recruitment programs. Furthermore, small to medium sized businesses can be hesitant to engage with international students for a range of reasons, including confusion over visas and work rights, perceived challenges with communication and cultural fit, and limited access to international student talent. At the same time, to remain competitive and economically viable, local small to medium sized businesses are increasingly operating in global and multicultural marketplaces.
5. This program will provide local small to medium sized businesses with an easy and comfortable way to engage with international students to build their capacity around leveraging and accessing global markets to benefit their business. It gives small to medium sized businesses access to the unique skill sets and knowledge that can be drawn from international students, including multilingual abilities, cross cultural skill sets and understanding of offshore markets and cultures. At the same time, the program is designed to equip students and recent graduates with skills, experience and confidence to bridge the gap between study and professional employment, whether ultimately in Australia or overseas.
6. The Global Talent Connect Program has defined eligibility criteria for student and host selection and each placement will be tailored according to the needs of the student and host businesses. This includes that the students could be either graduated (on a 485 graduate visa) and/or still studying (on a student visa). Their program would be part of an accredited training, either as a recognised part of their university studies or under Readygrad's accredited program. The placement component meets the definition of a 'vocational placement' for the purposes of the Fair Work Act and therefore does not require the students to be paid by the host companies.
7. The format of the program is for approximately 30 international students to undertake work integrated learning placements at 30 local small to medium sized businesses per year. The program includes:
 - (a) a two week selection process which includes a video interview application, cognitive ability assessment, selection criteria assessment and enrolment;
 - (b) eight weeks of preparation and employability training which prepares students to develop goals and employability skills, and provides interview and resume coaching, an entering business life e-learning program, a Work Health and Safety module, host company interviews and matching with student skill sets;

- (c) twelve weeks of work integrated learning placement, which includes developing a formal training agreement, undertaking online assessment and developing case studies, monitoring learning outcomes tracked through e-grad Learning Management System, consultant checkpoints and evaluation of host and student experiences; and
 - (d) a graduation ceremony showcasing participating small to medium sized enterprises and international students, presenting a statement of attainment to businesses and students, and inspiring other businesses and international students.
8. The benefits of supporting the project include:
- (a) Providing opportunities for international students to understand Australian business culture, workplace expectations and practices, teamwork, relationship building and practical skills relevant to the student's area of study.
 - (b) Increasing employability of international students and retaining talent in the City. As found through independent evaluation undertaken by McCrindle Research, Readygrad programs have resulted in 88 per cent of students being employed within six months of graduation, 67 per cent of students working in the area of internship and 42 per cent being offered employment at their host company. Ninety-eight per cent of students said the program made a difference in securing work.
 - (c) Providing local small to medium sized businesses with access to global talent with cross cultural skill sets and capabilities to deepen their engagement with Asia, to pursue export opportunities, source imports, and develop offshore partnerships or reach multicultural customers in Australia to expand their customer base.
 - (d) Strengthening relationships with the higher education sector (universities and private providers) who identify this as a critical area of opportunity where the City can add value.
 - (e) Positioning Sydney as a desirable destination of choice for international students.
9. The sponsorship benefits include a number of branding and acknowledgement opportunities, and involvement of students in other City events such as the International Education Providers Forum and Future Asia Business Summit.

Key Implications

Strategic Alignment - Sustainable Sydney 2030 Vision

10. 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 sponsorship aligns with the following strategic directions and objectives:
 - (a) Direction 1 - A Globally Competitive and Innovative City - Sydney's connections with Asia are specifically recognised within the Strategy as being integral to Sydney's future economic competitiveness and our ability to facilitate trade and investment outcomes. Sponsorship of this project increases the attractiveness of Sydney as an international education destination, enables local small to medium sized businesses to have deeper engagement with Asia, and enables a platform for enhancing economic prosperity (export, import, investment, joint ventures, attracting multicultural consumers and customer base).
 - (b) Direction 6 - Vibrant Local Communities and Economies - connecting local small to medium sized businesses to international students through this program creates new international networks, sources of funding, innovation, talent and expertise for the local economy. Fostering connections between local businesses and international students has the potential to create jobs and develop relationships to underpin the growth of small businesses in the city centre. The program increases the employability of international students and improves overall student experience and opportunities for talent retention in the City.
 - (c) Direction 10 - Implementation through Effective Governance and Partnerships - by supporting the Global Sydney Talent Connect Program, the City demonstrates collaboration and partnership in progressing our 2030 vision and strategic directions.

Social / Cultural / Community

11. The program provides a platform for representatives from culturally diverse communities to connect to the local economy, local culture, regulation and capabilities and create meaningful research, products and services that enhance social cohesion.
12. Nationally, four out of five international students are from Asia, and this program is an opportunity to retain talent and stimulate greater access to global markets through this demographic who are acclimatised to Sydney's culture.

Economic

13. Supporting the Global Sydney Talent Connect Program is an opportunity to increase local business' connections with Asian markets. This can be around increasing export opportunities, attracting investment, sourcing importers, forming joint ventures, and increasing the Asian and global customer base.
14. The program will increase the employability of international students and boost their student experience in Sydney to form future global ambassadors. The impact of this initiative is also to retain talent in the Local Government Area.
15. Supporting the program positions Sydney as a destination of choice for international education, business and investment.

Budget Implications

16. Sponsorship of \$40,000 is provided in the approved 2018-19 operating budget for Knowledge Exchange Sponsorships Program. Provision of \$40,000 per annum will be made in budgets for the financial years 2019/20 and 2020/21.

Relevant Legislation

17. 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 person for exercising its functions.
18. Section 356(3)(a) - (d) is satisfied for the purpose of providing grant funding to for-profit organisations because:
 - (a) the funding is part of the Knowledge Exchange Sponsorship program;
 - (b) the details of this program have been included in Council's draft operational plan for financial year 2018/19;
 - (c) the program's proposed budget does not exceed five per cent of Council's proposed income from ordinary rates for financial year 2018/19; and
 - (d) this program applies to a significant group of persons within the local government area.

Critical Dates / Time Frames

19. The program will commence in early 2019 to allow for a pilot group of applicants to participate in the program before the end of the 2018/19 financial year.

ANN HOBAN

Director City Life

Nashid Chowdhury, International Engagement Manager, City Business and Safety

Item 12.

Knowledge Exchange Sponsorship - Asia Business Event Series 2018-2020

File No: X008789

Summary

Asialink Business, an affiliate of the University of Melbourne, has applied for a Knowledge Exchange Sponsorship of \$38,000 (excluding GST) per year for three years to support the delivery of the Asia Business Event Series. The Asia Business Event Series aims to equip Sydney businesses to become Asia-ready by developing skills, knowledge and networks, and unpacking the complexities of working with Asian countries.

Asialink Business is a national organisation established in 2013, with a mandate from the Australian Government to develop an Asia capable workforce in Australia.

The City's Economic Development Strategy identifies long-term, sustainable connections with Asia as a priority for the City, to deliver greater benefits to the local community and the economy. Engagement with Asia is integral to Sydney's future economic competitiveness and its ability to facilitate trade and investment outcomes. The Strategy states the City will develop and deliver programs, seminars and forums to enhance the skills of business owners, increase their awareness of business opportunities and trends, and discuss strategic issues.

The City has sponsored the Asia Business Event Series, delivered by Asialink Business, since 2016, with topics ranging from tourism to sustainability to startups. Feedback from participants indicates they have gained a better understanding of the market opportunities in Asia and become more ready to and capable of engaging with Asia after attending the events.

Asialink will deliver four events each year for three years. They will continue to focus on the City's priority sectors including international education, tourism, tech startups and green economy which will be planned each year, aligning with the City's International Engagement activities and hot topics. For instance, proposed themes in the coming year include "The value of international education to the tourism sector", "China Connections: best practices in sister city relationships", "The commercialisation pathway for expanding into Asia" and "How technology can help Asian cities get cleaner and greener".

Each event will bring together an average of 50 business executives, entrepreneurs and peak bodies to hear from subject matter experts on cultural nuances, trends and opportunities, and learn critical skills to tap the market potential of Asia. Participants will have the opportunity to engage with the speakers to deepen their understanding of tackling Asia.

The assessment of the application shows strong alignment with key outcomes of the City's Knowledge Exchange Sponsorship Program, in particular the development of strong networks to promote collaboration and knowledge exchange, and the building of capacity in organisations and individuals to develop and maintain sustainable business ventures.

It is recommended that the City sponsors Asialink Business to the value of \$30,000 per year for three years, to cover the cost of content development, marketing and promotion, venue hire, catering, speakers engagement, post event content production and distribution, and evaluation. This amount is on par with previous years' sponsorships on a per event basis.

Recommendation

It is resolved that:

- (A) Council approve cash sponsorship of \$30,000 (excluding GST) per annum for three years to University of Melbourne, for its affiliate Asialink Business, for the Asia Business Event Series; and
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer a sponsorship agreement with the University of Melbourne for its affiliate Asialink Business.

Attachments

Nil.

Background

1. Asialink Business is a national organisation established in 2013 with a mandate from the Australian Government to develop an Asia capable workforce in Australia.
2. The Asia Business Events Series, which includes four events a year, targets small to medium businesses. These events aim to equip local businesses to become Asia-ready by increasing their awareness of market potentials and developing necessary skills, knowledge and networks.
3. The event series has garnered positive feedback and is gaining traction in business communities. Over 170 people from various business sectors, including tourism, retail, hospitality, digital, investment and education sectors, and a number of non-government organisations attended the 2017-18 series. Evaluation surveys indicated participants have increased capability and skills to engage with organisations in Asia and overall ability to perform in Asia by attending these workshops. Overall, participants were highly satisfied with the event content, learning outcomes and networking opportunities.
4. Asialink Business will develop the themes for 2018-19 in consultation with the City's International Engagement team. The focused markets and sectors will align with those highlighted in the Economic Development Strategy.
5. Council resolved to approve a cash sponsorship of \$30,000 (excluding GST) in 2016 to Asialink Business to deliver four events and \$26,000 (excluding GST) in 2017 to deliver three events. The City's recommended sponsorship is \$30,000 (exclusive of GST) per year for three years to Asialink Business to support the delivery of the Asia Business Event Series.
6. The sponsorship benefits include a range of acknowledgement opportunities and invitations for councillors and staff to attend the events.

Key Implications

Strategic Alignment - Sustainable Sydney 2030 Vision

7. Sustainable Sydney 2030 is a vision for the sustainable development of the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress. This sponsorship is aligned with the following strategic directions and objectives:
 - (a) Direction 1 - A Globally Competitive and Innovative City - supporting the business community to become Asia ready and internationally competitive will help create more employment, boost Sydney's economy, strengthen global connections and make the city a more desirable place to live, work, visit and invest.
 - (b) Direction 6 - Vibrant Local Communities and Economies - Asia ready local businesses can grow into global businesses resulting in economic and employment benefits locally.

- (c) Direction 10 - Implementation through Effective Governance and Partnerships - by supporting the Asia Business Events Series, the City demonstrates collaboration through partnership in progressing our 2030 visions and strategic directions.

Environmental

8. The event series may include themes around sustainability, a key sector of focus of the City.
9. The event organiser uses digital documents and laptops for meetings and client engagements. Workshop communications and resources are shared electronically with participants.

Economic

10. Supporting Asia Business Events Series will contribute to the City's economic prosperity and having a vibrant, diverse, innovative and commercially connected economy. The event series will help local businesses strengthen their networks and become Asia ready.

Budget Implications

11. Funding of \$30,000 (excluding GST) is available in the 2018-19 Knowledge Exchange Sponsorships budget.
12. Provision will be made in future Knowledge Exchange Sponsorships budgets for the sponsorship costs incurred in the two subsequent financial years.

Relevant Legislation

13. 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.

Critical Dates / Time Frames

14. Asia Business Events Series 2018-19 is scheduled to take place between November 2018 and June 2019.

ANN HOBAN

Director City Life

Karen Ng, International Engagement Coordinator

Item 13.

Knowledge Exchange Sponsorship - Generation

File No: X007317

Summary

In December 2013, Council adopted the Economic Development Strategy – a 10 year strategy that aims to strengthen the city economy and support business. The Tech Startups Action Plan (endorsed by Council in June 2016) is consistent with this strategy. It identifies how the City can support entrepreneurs, with a focus on innovative, new businesses based on technology and designed for fast growth that are ‘tech startups’.

The Tech Startups Action Plan focuses on creating an ecosystem that enables knowledge based, innovation-driven businesses to flourish, and highlights the importance to Sydney’s entrepreneurs of access to entrepreneurship information, mentors and investors.

An application for \$30,000 has been received for sponsorship under the Knowledge Exchange Sponsorship Program from Generation Entrepreneur Ltd seeking to deliver initiatives that support the City’s objectives and commitments in the Tech Startups Action Plan.

Generation Entrepreneur Ltd is a not-for-profit organisation which provides high school students with the opportunities and resources to start their own ventures. They aim to accomplish this through entrepreneurial initiatives including ‘Initiate 48’, their flagship hackathon, Summer Bootcamp and the Incubator Program. These programs will equip students with invaluable skills, expose them to the crucial ideas of entrepreneurship and provide them with opportunities and resources to start ventures that strongly impact their community as a young person.

This report recommends a Knowledge Exchange Sponsorship of \$20,000 (excluding GST) to Generation Entrepreneur Ltd to produce two projects: Summer Bootcamp, designed for 75 students (15 teams of five students) over 30 days to accelerate existing and prospective student-run startups through the provision of mentoring, workshops and physical co-working space; and The Incubator, which will take startups from the Summer Bootcamp and place them through three months of intensive validation. Participation is free for the students.

These programs address a gap in the market for the provision of direct engagement between industry experts and young people on relevant topics covering technology, entrepreneurship and innovation.

Recommendation

It is resolved that:

- (A) Council approve a cash sponsorship of \$20,000 (excluding GST) for Generation Entrepreneur Ltd for the Incubator and Summer Bootcamp Program; and
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer a sponsorship agreement with Generation Entrepreneur Ltd.

Attachments

Nil.

Background

1. Sponsorship of Generation Entrepreneur's Summer Bootcamp and Incubator Program meets the objectives of the City of Sydney's Knowledge Exchange Sponsorship Program Economic Development Strategy and the Tech Startups Action Plan.
2. A focus area of the Tech Startups Action Plan is on creating skilled and connected entrepreneurs. It acknowledges that in all stages of startup formation it is important to have information and advice delivered via events or mentors – particularly those who have successfully navigated through growth stage.
3. Action 1.2 states that the City will create or support events that encourage members of the community to become entrepreneurs and that celebrate and promote the tech startup ecosystem.
4. Action 2.3 identifies that the City will implement the Knowledge Exchange Sponsorship Program or develop new projects that enable expertise to be shared and skills developed and provide practical business education relevant to entrepreneurs.
5. Action 2.14 states that the City will support initiatives that develop entrepreneurial skills in young people.
6. Generation Entrepreneur provides opportunities for Sydney high school students to gain knowledge about entrepreneurship that they do not gain at school. The focus is on a method of learning which few organisations or government initiatives currently provide.
7. Mentorship and practical implementation of theory form the crux of the learning model. Under the mentorship of some of Sydney's leading entrepreneurs, students are given the opportunity to build a brand new venture from scratch.
8. Since 2014, Generation Entrepreneur has partnered with the City of Sydney for the flagship Initiate 48 program along with New South Wales Department of Education and University of New South Wales, as well as numerous other startups, incubators and entrepreneurs, cementing community support for the programs.
9. Generation Entrepreneur Ltd was created by high school students. Now in its fourth year and run by the same team of skilled young adults, under the guidance of industry mentors, it provides opportunities and resources for school students to embark on their entrepreneurial ventures.
10. The Summer Bootcamp will run in January - February 2019, and aims to inspire, nurture and ultimately build high school graduates into entrepreneurs with functioning businesses. The ground breaking program boasts a plethora of business-building essentials, including mentors, workshops and professional working space.
11. The Incubator program is an extension to the Summer Bootcamp. The successful transition of teams from the Summer Bootcamp to the Incubator Program will be an emulation of current accelerators and incubators that are presently only being offered to full time startup founders such as Muru-D, The Founder Institute and Cicada Innovations.

12. As the Incubator Program is specifically designed for high school students, it will be tailored towards drilling down on the specifics of what exactly the teams will need to do in order to build momentum, providing the necessary frameworks to increase their chance of success.
13. The application has been assessed under the City's Knowledge Exchange Sponsorship program. The program recognises that, for the city to thrive, we must support and create an environment that fosters collaboration and learning.
14. The Knowledge Exchange Sponsorship program supports the exchange of ideas and knowledge and the showcasing of local expertise, and encourages dialogue on local and global issues. Under the program, eligible projects can be supported to a maximum of \$40,000 cash and applications can be received ad hoc throughout the year.
15. The application has been assessed as contributing to the following program outcomes:
 - (a) adoption and implementation of best practice approaches by organisations and individuals;
 - (b) strong networks where participants share resources and acquire new knowledge and skills;
 - (c) improved capacity in organisations and individuals to develop and maintain sustainable business ventures; and
 - (d) increased recognition of Sydney as an innovative and creative city.
16. Under the Knowledge Exchange Sponsorship program, eligible organisations include not-for-profit and for-profit organisations as well as social enterprises. Generation Entrepreneur Ltd is a not-for-profit organisation.
17. There are a number of high profile and engaged community sponsors outside of the City and funding for \$20,000 is recommended to reflect this support from the community and utilise the support offered outside of the City.
18. Sponsorship benefits to be negotiated include acknowledgement of the City of Sydney in media releases, on social media platforms, in blogs and on-line advertisements, and signage at the opening or closing event; the City of Sydney logo included in all marketing materials including direct mail, t-shirts, bags, videos and website; and invitations to attend as guests opening and closing events associated with the program.

Key Implications

Strategic Alignment - Sustainable Sydney 2030 Vision

19. 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 sponsorship is aligned with the following strategic directions and objectives:
 - (a) Direction 1 - A Globally Competitive and Innovative City - supporting entrepreneurs to start and grow innovative businesses will potentially create more employment, boost Sydney's economy, strengthen global connections and make the City a more desirable place to live, work and visit.
 - (b) Direction 6 - Vibrant Local Communities and Economies - innovative businesses can grow into global businesses, resulting in swift economic and employment benefits locally.
 - (c) Direction 7 - A Cultural and Creative City - supporting entrepreneurs is supporting the expression of innovation and creativity, which in turn contributes to a cosmopolitan, vibrant and active city.

Budget Implications

20. This report recommends a total sponsorship amount of \$20,000 (excluding GST) cash. There are sufficient funds allocated for payments within the 2018/19 Knowledge Exchange Grants and Sponsorship budget.

Relevant Legislation

21. 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.

Critical Dates / Time Frames

22. Subject to Council approval, the recommended projects are scheduled to be undertaken in January and February 2019.

ANN HOBAN

Director, City Life

Alice Chatwood, City Business Coordinator