

# AGENDA

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# INNER WEST COUNCIL

**EXTRAORDINARY COUNCIL MEETING**

**TUESDAY 29 OCTOBER 2019**

**6.30PM**

### **Live Streaming of Council Meeting**

In the spirit of open, accessible and transparent government, this meeting of the Inner West Council is being streamed live on Council's website. By speaking at a Council meeting, members of the public agree to being recorded and must ensure their speech to the Council is respectful and use appropriate language. A person who uses defamatory, discriminatory or offensive language may be exposed to liability for which Council takes no responsibility. Any part of this meeting that is held in closed session will not be recorded

### **Pre-Registration to Speak at Council Meetings**

Members of the public must register by 2pm of the day of the Meeting to speak at Council Meetings. If you wish to register to speak please fill in a [Register to Speak Form](#), available from the Inner West Council website, including:

- your name;
- contact details;
- item on the Agenda you wish to speak to; and
- whether you are for or against the recommendation in the agenda.

### **Are there any rules for speaking at a Council Meeting?**

The following rules apply when addressing a Council meeting:

- keep your address to the point, the time allowed for each speaker is limited to three minutes. This time limit applies, no matter how many items are addressed by the speaker;
- when addressing the Meeting you must speak to the Chairperson;
- the Chairperson may curtail public participation where the information being presented is considered repetitive or irrelevant; and
- only 3 speakers for and against an Agenda Item are allowed.

### **What happens after I submit the form?**

Your request will then be added to a list that is shown to the Chairperson on the night of the meeting.

Where Items are deferred, Council reserves the right to defer speakers until that Item is heard on the next occasion.

### **Accessibility**

Inner West Council is committed to ensuring people with a disability have equal opportunity to take part in Council and Committee Meetings. At the Ashfield Council Chambers there is a hearing loop service available to assist persons with a hearing impairment. If you have any other access or disability related participation needs and wish to know more, call 9392 5657.

**Persons in the public gallery are advised that under the Local Government Act 1993, a person may NOT record a Council meeting without the permission of Council.**

**Any persons found recording without authority will be expelled from the meeting.**

**"Record" includes the use of any form of audio, video and still camera equipment or mobile phone capable of recording speech.**

**An audio recording of this meeting will be taken for the purpose of verifying the accuracy of the minutes.**

## PRECIS

- 1 Acknowledgement of Country**
- 2 Apologies**
- 3 Notice of Webcasting**
- 4 Disclosures of Interest (Section 451 of the Local Government Act and Council's Code of Conduct)**
- 5 Moment of Quiet Contemplation**
- 6 Public Forum – Hearing from All Registered Speakers**
- 7 Condolence Motions**

Nil at the time of printing.

### **8 Mayoral Minutes**

Nil at the time of printing.

### **9 Reports with Strategic Implications**

Nil at the time of printing.

### **10 Reports for Council Decision**

#### **ITEM**

C1019(3) Item 1 Financial Statements 2018/19

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### **11 Reports for Noting**

Nil at the time of printing.

### **12 Reports with Confidential Information**

Reports appearing in this section of the Business Paper are confidential in their entirety or contain confidential information in attachments.

The confidential information has been circulated separately.

#### **ITEM**

C1019(3) Item 2 RFT 28-19 Park and Verge Mowing

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**Item No:** C1019(3) Item 1  
**Subject:** FINANCIAL STATEMENTS 2018/19  
**Prepared By:** Daryl Jackson - Chief Financial Officer  
**Authorised By:** Melodie Whiting - Director Corporate

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## **RECOMMENDATION**

**THAT Council:**

- 1. Receives and notes the report; and**
  - 2. Endorses the Financial Statements to be placed on public exhibition with a view of tabling the final report at the November 2019 Council meeting.**
- 

## **BACKGROUND**

Council is required to prepare Financial Statements in accordance with the Local Government Act and Regulations, Local Government Code of Accounting Practice and Australian Accounting Standards. At its August meeting, Council resolved to release its statements for audit. The financial reporting period for the 2018/19 Financial Statements is 1 July 2018 to 30 June 2019.

The 2018/19 Financial Statements are required (by legislation) to be endorsed by Council and then placed on public exhibition.

## **DISCUSSION**

The 2018/19 Financial Statements are the third set of financial reports for the Inner West Council. Below is a summary of the financial information by reporting area.

### Income Statement and Balance Sheet.

Council's Income Statement for the year discloses that the Net Operating Result from Continuing Operations was a surplus \$16.9m in contrast to an original budget surplus of \$23.0m. Council's surplus of \$16.9m is largely attributed to Capital Grants of \$23.4m that will be applied to Capital Works. This means Council has a Net Operating Deficit before Grants and Contributions provided for capital purposes of \$6.6m.

Council loaded its Land and Buildings into one database for consistent asset management which identified errors relating to previous reporting periods.

Council also identified land parcels that had been incorrectly included in more than one asset class for the following asset classes -

- Community Land (\$47.8m)
- Crown Land (\$1.7m)
- Operational Land (\$13m)

These duplicate land parcels reduced retained earnings as at 1 July 2017. Within this process, \$4.7m of increases in land value (as per the FY18 revaluation that was undertaken by Inner West Council) that flowed into the Asset Revaluation Reserve, which related to duplicate land parcels was also removed. Council also identified duplicate building assets in

the asset register. These items (\$4.7m) reduced the IPP&E Revaluation Reserve as at 30 June 2018.

Council's Balance Sheet discloses net assets of \$2.37 billion, primarily made up of Infrastructure related assets of \$2.16 billion. A breakdown of infrastructure assets can be found in the capital schedule known as note 9(a).

Council's cash position sees it hold \$221.8m in cash and investments. The following is a breakdown by Reserve.

Reserve	Amount (\$M)
Externally Restricted - S94 Develop Contributions	\$63
Externally Restricted - Unexpended Grants	\$11
Domestic Waste	\$25
Externally Restricted - Other Externally Restricted	\$7
Internally Restricted - Employee Leave Entitlement	\$34
Internally Restricted – Deposits and Bonds	\$16
Internally Restricted – Other	\$3
Working Funds	\$63
<b>Total</b>	<b>\$222</b>

As a part of this process, Council's has continued to fully fund its Employee Leave Entitlement at 100% of the estimated provision. (Previously only partially funded by the former 3 Council's at approximately 50% of the total Employee Leave Entitlement).

#### Local Government Industry Indicators.

The Local Government indicators (summarised below) are determined by in the Code of Accounting practice. The indicators allow for inter council comparisons to be consistently made across the local government sector. The indicators are as follows -

#### **Operating Performance Ratio.**

The purpose of the Operating Performance Ratio is to measure Council's achievement of containing operating expenses within operating revenue.

##### **1. Operating performance ratio**

Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>1,130</b>				
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>247,397</b>	<b>0.46%</b>	3.24%	4.42%	>0.00%

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Council's operating performance ratio was 0.46% which is above the benchmark of zero. This was a reduction based on last year's ratio of 3.24% as the Merger Implementation Grant (received in 16/17) were expensed during the current and past financial years.

#### **Own Source Operating Revenue Ratio.**

The purpose of this ratio is to measure fiscal flexibility. The ratio highlights the degree of reliance on external funding sources such as operating grants & contributions.

**2. Own source operating revenue ratio**

Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>234,699</b>	<b>86.65%</b>	88.83%	74.64%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>270,843</b>				

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

Council's Own Source Operating Revenue ratio is above the benchmark of 60% which means that it has a low reliance on grants to fund operating expenditure. This ratio has decreased in comparison to the 17/18 result as Council received lower State Government grants in the 18/19 financial year compared to the previous financial year.

**Unrestricted Current Ratio.**

The purpose of this ratio is to assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

**3. Unrestricted current ratio**

Current assets less all external restrictions	<b>141,072</b>	<b>3.04x</b>	3.72x	3.29x	>1.50x
Current liabilities less specific purpose liabilities	<b>46,336</b>				

Council's Unrestricted Current ratio is above the benchmark of >1.5x. This benchmark will be used in the development in Council's Long-term Financial Plan to ensure that Council is financially sustainable and able to meet its ongoing short-term financial obligations (Payroll and Creditors). This ratio is relatively consistent with the prior year result.

**Debt Service Coverage Ratio.**

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

**4. Debt service cover ratio**

Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>28,344</b>	<b>5.84x</b>	6.61x	5.21x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>4,857</b>				

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

Council's Debt Service ratio is above the benchmark of >2x and is capable of servicing its existing loan obligations as they are secured against rates income and factored into the budget. The ratio has decreased in comparison to the prior year as Council's operating expenditure increased. The Service Units hiring new staff into open positions in line with their JCC approved structure (\$9.4m).

**Rates, Annual Charges, Interest and Extra Charges Outstanding percentage.**

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

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

Rates, annual and extra charges outstanding	<b>7,439</b>	<b>4.50%</b>	3.92%	3.05%	<5.00%
Rates, annual and extra charges collectible	<b>165,170</b>				

Council's Outstanding Rates and Annual Charges ratio exceeds the benchmark of <5%. Council will continue with its debt recovery actions for the 2019/20 financial year noting that no debt recovery action is taken against eligible pensioners.

### **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.

#### **6. Cash expense cover ratio**

Current year's cash and cash equivalents plus all term deposits	<b>138,928</b>	<b>7.42</b>	8.05	8.60	>3.00
Monthly payments from cash flow of operating and financing activities	<b>18,713</b>	<b>mths</b>	mths	mths	mths

Council's Cash Expense Cover ratio is above the benchmark of >3 months. This will continue to diminish in the coming financial years as working funds are used to address Council's infrastructure backlog.

Council has exceeded benchmark in all of its financial indicators for this financial period. These will continue to be monitored throughout the 2019/20 financial year and in Council's Long-term Financial Plan.

### **Council Infrastructure Industry Indicators**

Council's Infrastructure asset indicators (found in Special Schedule 7) are a summary of Council's infrastructure conditions for the financial year. Special Schedule 7 is not audited by the Audit Office in 2018/19.

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	2017	Benchmark
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>38,853</b>	<b>166.21%</b>	64.09%	168.76%	>=100.00%
Depreciation, amortisation and impairment	<b>23,376</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>142,222</b>	<b>9.29%</b>	10.27%	10.63%	<2.00%
Net carrying amount of infrastructure assets	<b>1,530,170</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>42,852</b>	<b>97.65%</b>	78.33%	100.00%	>100.00%
Required asset maintenance	<b>43,883</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>142,222</b>	<b>7.35%</b>	3.78%	3.55%	
Gross replacement cost	<b>1,933,887</b>				

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

(1) Excludes Work In Progress (WIP)

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

A summary of the indicators show that Council needs to continue to spend money on renewals at a rate as assets continue to depreciate but still has a backlog of approximately \$142m that needs to be addressed. Working funds have been allocated over the Long-term Financial Plan to address part of this backlog. However, the infrastructure backlog of \$142m exceeds the total available working funds for Council to reduce the backlog below the benchmark on <2%.

These indicators will be reviewed on an ongoing basis as a part of the Long-term Financial Plans and Asset Management Plans process.

#### Next Steps

To ensure compliance with legislation the following steps need to occur:

- Council endorses the financial reports and signs the accounts 29 October 2019;
- Council receives the Audit report from the Audit Office to be incorporated in the Financial Statements and then submitted to the Office of Local Government by 31 October 2019;
- Council places its Financial Statements on public exhibition for public comment;
- Council endorses the final report at its 26 November 2019 meeting noting any comments from the public exhibition period.

#### **FINANCIAL IMPLICATIONS**

There are no net financial implications of this report. It is noted that general funds have been allocated to fund Council's infrastructure shortfall over the Council's Long-term Financial Plans.

The Audit, Risk and Improvement Committee have had a briefing with Audit Office and Council officers to discuss the conduct of the audit and Council's financial position.

**Attachment 1 has been published separately in the Attachments Document on Council's Website <https://www.innerwest.nsw.gov.au/about/the-council/council-meetings/current-council-meetings>**

#### **ATTACHMENTS**

1. [Inner West Council General Purpose Financial Statements for year ended 30 June 2019](#)

# Inner West Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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Item 1

Attachment 1

# Inner West Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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**Inner West Council**

Financial Statements 2019

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

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**Overview**

Inner West Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

2-14 Fisher Street  
Petersham NSW 2049

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.innerwest.nsw.gov.au](http://www.innerwest.nsw.gov.au)

## Inner West Council

Financial Statements 2019

### General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

##### 2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

##### 3. The Statement of Financial Position

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

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

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

##### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

Council's 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.

**Inner West Council**

Financial Statements 2019

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

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 29 October 2019.**

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Darcy Byrne  
**Mayor**  
29 October 2019

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Vittoria Raciti  
**Councillor**  
29 October 2019

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Michael Deegan  
**General Manager**  
29 October 2019

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Daryl Jackson  
**Responsible Accounting Officer**  
29 October 2019

**Inner West Council**

Financial Statements 2019

**Income Statement**

for the year ended 30 June 2019

<i>Original unaudited budget 2019</i>	<i>\$ '000</i>	Notes	<i>Actual 2019</i>	<i>Actual 2018 <sup>1</sup></i>
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
157,097	Rates and annual charges	3a	159,297	154,436
44,429	User charges and fees	3b	42,852	41,462
5,167	Interest and investment revenue	3c	6,508	6,315
24,484	Other revenues	3d	27,009	24,020
10,904	Grants and contributions provided for operating purposes	3e,3f	11,731	10,523
25,907	Grants and contributions provided for capital purposes	3e,3f	23,446	16,838
<b>Other income:</b>				
–	Fair value increment on investment properties	10	449	–
–	Net share of interests in joint ventures and associates using the equity method	16	144	467
267,988	<b>Total income from continuing operations</b>		271,436	254,061
<b>Expenses from continuing operations</b>				
123,934	Employee benefits and on-costs	4a	119,497	109,311
1,207	Borrowing costs	4b	620	860
64,415	Materials and contracts	4c	65,135	58,427
26,129	Depreciation and amortisation	4d	26,594	28,296
29,449	Other expenses	4e	34,421	32,186
(181)	Net losses from the disposal of assets	5	8,282	1,224
–	Revaluation decrement / impairment of IPP&E	4d	–	8,999
244,953	<b>Total expenses from continuing operations</b>		254,549	239,303
23,035	<b>Operating result from continuing operations</b>		16,887	14,758
23,035	<b>Net operating result for the year</b>		16,887	14,758
23,035	Net operating result attributable to council		16,887	14,758
(2,872)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		(6,559)	(2,080)

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

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

**Inner West Council**

Financial Statements 2019

**Statement of Comprehensive Income**  
 for the year ended 30 June 2019

<b>\$ '000</b>	Notes	<b>2019</b>	<b>2018 <sup>1</sup></b>
<b>Net operating result for the year (as per Income Statement)</b>		<b>16,887</b>	<b>14,758</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	14,896	103,212
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>14,896</b>	<b>103,212</b>
<b>Total other comprehensive income for the year</b>		<b>14,896</b>	<b>103,212</b>
<b>Total comprehensive income for the year</b>		<b>31,783</b>	<b>117,970</b>
Total comprehensive income attributable to Council		31,783	117,970

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

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

**Inner West Council**

Financial Statements 2019

**Statement of Financial Position**

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 <sup>1</sup>	Restated 1 July 2017
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalent assets	6(a)	23,798	12,835	18,668
Investments	6(b)	118,330	142,488	145,588
Receivables	7	47,578	16,468	17,027
Inventories	8a	180	178	207
Other	8b	3,291	3,827	2,340
<b>Total current assets</b>		<u>193,177</u>	<u>175,796</u>	<u>183,830</u>
<b>Non-current assets</b>				
Investments	6(b)	79,683	61,991	40,550
Receivables	7	–	25,302	216
Infrastructure, property, plant and equipment	9(a)	2,156,465	2,128,084	2,051,441
Investment property	10a	28,489	28,040	28,040
Intangible assets	11	1,397	–	–
Investments accounted for using the equity method	16	3,637	3,493	3,025
<b>Total non-current assets</b>		<u>2,269,671</u>	<u>2,246,910</u>	<u>2,123,272</u>
<b>TOTAL ASSETS</b>		<u>2,462,848</u>	<u>2,422,706</u>	<u>2,307,102</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	12	35,898	30,208	25,579
Income received in advance	12	4,267	1,764	1,296
Borrowings	12	3,683	4,232	4,688
Provisions	13	32,433	27,898	30,950
<b>Total current liabilities</b>		<u>76,281</u>	<u>64,102</u>	<u>62,513</u>
<b>Non-current liabilities</b>				
Borrowings	12	5,416	9,104	13,356
Provisions	13	2,009	2,141	1,844
<b>Total non-current liabilities</b>		<u>7,425</u>	<u>11,245</u>	<u>15,200</u>
<b>TOTAL LIABILITIES</b>		<u>83,706</u>	<u>75,347</u>	<u>77,713</u>
<b>Net assets</b>		<u>2,379,142</u>	<u>2,347,359</u>	<u>2,229,389</u>
<b>EQUITY</b>				
Accumulated surplus	14a	2,182,843	2,165,956	2,151,198
Revaluation reserves	14a	196,299	181,403	78,191
<b>Council equity interest</b>		<u>2,379,142</u>	<u>2,347,359</u>	<u>2,229,389</u>
<b>Total equity</b>		<u>2,379,142</u>	<u>2,347,359</u>	<u>2,229,389</u>

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

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

**Inner West Council**

Financial Statements 2019

**Statement of Changes in Equity  
for the year ended 30 June 2019**

	Notes	2019			2018 <sup>1</sup>		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
\$ '000					Restated	Restated	Restated
Opening balance		2,165,956	181,403	2,347,359	2,178,552	78,191	2,256,743
Correction of prior period errors	14b	–	–	–	(27,354)	–	(27,354)
<b>Restated opening balance</b>		<b>2,165,956</b>	<b>181,403</b>	<b>2,347,359</b>	<b>2,151,198</b>	<b>78,191</b>	<b>2,229,389</b>
Net operating result for the year		16,887	–	16,887	14,758	–	14,758
<b>Restated net operating result for the period</b>		<b>16,887</b>	<b>–</b>	<b>16,887</b>	<b>14,758</b>	<b>–</b>	<b>14,758</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9(a)	–	14,896	14,896	–	103,212	103,212
<b>Other comprehensive income</b>		<b>–</b>	<b>14,896</b>	<b>14,896</b>	<b>–</b>	<b>103,212</b>	<b>103,212</b>
<b>Total comprehensive income</b>		<b>16,887</b>	<b>14,896</b>	<b>31,783</b>	<b>14,758</b>	<b>103,212</b>	<b>117,970</b>
<b>Equity – balance at end of the reporting period</b>		<b>2,182,843</b>	<b>196,299</b>	<b>2,379,142</b>	<b>2,165,956</b>	<b>181,403</b>	<b>2,347,359</b>

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

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

**Inner West Council**

Financial Statements 2019

**Statement of Cash Flows**  
for the year ended 30 June 2019

<i>Original unaudited budget 2019</i>	<i>\$ '000</i>	Notes	<i>Actual 2019</i>	<i>Actual 2018</i>
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
157,097	Rates and annual charges		158,625	152,937
44,429	User charges and fees		46,111	56,246
5,167	Investment and interest revenue received		4,826	6,857
36,810	Grants and contributions		32,454	28,067
-	Bonds, deposits and retention amounts received		2,356	1,757
24,484	Other		36,387	6,689
<u>Payments</u>				
(123,934)	Employee benefits and on-costs		(114,322)	(112,136)
(64,415)	Materials and contracts		(67,362)	(67,975)
(1,207)	Borrowing costs		(626)	(865)
(29,449)	Other		(38,010)	(47,564)
<b>48,982</b>	<b>Net cash provided (or used in) operating activities</b>	15b	<b>60,439</b>	<b>24,013</b>
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
315,120	Sale of investment securities		162,017	266,502
182	Sale of infrastructure, property, plant and equipment		2,390	37,355
<u>Payments</u>				
(282,330)	Purchase of investment securities		(155,551)	(284,843)
(80,934)	Purchase of infrastructure, property, plant and equipment		(52,199)	(44,152)
-	Purchase of intangible assets		(1,896)	-
<b>(47,962)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(45,239)</b>	<b>(25,138)</b>
<b>Cash flows from financing activities</b>				
<u>Receipts</u>				
28,845	Proceeds from borrowings and advances		-	-
<u>Payments</u>				
(5,434)	Repayment of borrowings and advances		(4,237)	(4,708)
<b>23,411</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(4,237)</b>	<b>(4,708)</b>
<b>24,431</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>10,963</b>	<b>(5,833)</b>
14,107	Plus: cash and cash equivalents – beginning of year	15a	12,835	18,668
<b>38,538</b>	<b>Cash and cash equivalents – end of the year</b>	15a	<b>23,798</b>	<b>12,835</b>
Additional Information:				
131,171	plus: Investments on hand – end of year	6(b)	198,013	204,479
<b>169,709</b>	<b>Total cash, cash equivalents and investments</b>		<b>221,811</b>	<b>217,314</b>

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

**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
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**Inner West Council**

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**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 1. Basis of preparation**

These financial statements were authorised for issue by Council on 29 October 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not-for-profit entity.

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

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 20 – Material budget variations

and are clearly marked.

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

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

There have been no new 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.

AASB 9 Financial Instruments was adopted for the first time in the financial statements.

The impact adopting this standard has had no material impact on the reporting of Council's financial position or performance.

**(b) Historical cost convention**

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

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

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

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

**Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

- estimated fair values of investment properties – refer Note 10
- estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- employee benefit provisions – refer Note 13.

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**Inner West Council****Notes to the Financial Statements  
for the year ended 30 June 2019****Note 1. Basis of preparation (continued)****Significant judgements in applying the council's accounting policies****(i) Impairment of receivables**

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

**Monies and other assets received by Council****(a) The Consolidated Fund**

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

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

- General purpose operations
- Other - CivicRisk Metro, and
- Other - CivicRisk Mutual Pools

**(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 property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

**Goods and Services Tax (GST)**

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

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

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

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

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

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

**AASB 16 Leases**

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 made an assessment to the materiality of this new standard.

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## Inner West Council

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 1. Basis of preparation (continued)****AASB 15 Revenue from Contracts with Customers and associated amending standards.**

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

The impact of AASB15 is expected to not be material for Inner West Council.

**AASB 1058 Income of NFP Entities**

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

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

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

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

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

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

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

There is not expected to be any material specific impacts of AASB1058 for Inner West Council.

**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 2(a). Council functions/activities – financial information**

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

\$ '000	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) <sup>1</sup>	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Functions or activities</b>										
Children and Family Services	17,334	15,622	19,108	15,560	(1,774)	62	1,073	862	190	–
Community Events	140	119	3,718	3,129	(3,578)	(3,010)	–	–	–	–
Community Services and Culture	2,262	2,124	11,360	7,993	(9,098)	(5,869)	1,092	1,104	–	182
Corporate Support Services	144,167	139,596	65,481	102,124	78,686	37,472	5,536	6,569	1,272,157	2,390,653
Development Assessment	4,772	5,277	6,874	5,866	(2,102)	(589)	–	–	26	–
Environment and Sustainability	764	644	5,591	3,784	(4,827)	(3,140)	504	333	8	9
Footpaths, Roads, Traffic and Stormwater	17,234	13,034	34,097	25,226	(16,863)	(12,192)	3,056	1,479	1,032,701	24,751
Library and History Services	1,270	630	11,032	8,226	(9,762)	(7,596)	–	689	59	–
Recreation and Aquatics	9,464	10,122	11,266	10,752	(1,802)	(630)	1,146	–	54,578	77
Regulatory Services	17,392	14,448	13,943	12,668	3,449	1,780	–	–	8,018	6,336
Resource Recovery	41,364	39,749	28,934	27,570	12,430	12,179	–	–	1,444	698
Strategic Planning	2,716	3,476	7,934	4,784	(5,218)	(1,308)	750	–	–	–
Trees, Parks and Sportsfields	12,557	9,220	35,211	11,621	(22,654)	(2,401)	–	–	93,667	–
Other	–	–	–	–	–	–	–	(963)	–	–
<b>Total functions and activities</b>	<b>271,436</b>	<b>254,061</b>	<b>254,549</b>	<b>239,303</b>	<b>16,887</b>	<b>14,758</b>	<b>13,157</b>	<b>10,073</b>	<b>2,462,848</b>	<b>2,422,706</b>

(1) Total assets held (current and non-current) for 2018 have been restated

**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

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

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

**Children and Family Services**

- Plan for and providing Council's Education and Care Services for families with children aged 0 to 12 years, including:
  - Long day care
  - Family day care
  - Preschool and occasional care
  - Out of school hours care
- Support parents' participation in the workforce and/or society
- Support children with additional needs and from vulnerable and disadvantaged backgrounds

**Community Events**

- Organise, present and evaluate a program of high quality events that engage the local community in celebrations of place, culture and diversity.
- Provide employment for local performing artists and art workers.

**Community Services and Culture**

- Providing, and working with partners on, programs and services to support and promote community wellbeing
- Developing social and cultural strategies and plans
- Initiating and managing programs that position the Inner West as a destination for excellence and innovation in the arts and culture
- Activating Council's community facilities to foster community building, participation, and social support

**Corporate Support Services**

- Customer Service, Business Excellence and Civic Governance
- Communications and Engagement
- Finance
- Human Resources
- Information and Communications Technology
- Legal Services
- Procurement
- Properties, Major Building Projects and Facilities

**Development Assessment**

- Implementing Council's statutory responsibilities to effectively manage change within the built and physical environment
- Providing accurate, timely and consistent planning and building advice to customers and high quality decisions and development outcomes

**Environment and Sustainability**

- Strategic planning for Urban Sustainability
- Strategic planning for Urban Ecology
- Supporting community involvement with urban ecology volunteer projects
- Managing Council's environmental risk, compliance, ecological design and environmental performance, monitoring and reporting

**Footpaths, Roads, Traffic and Stormwater**

- Plan, design and construct infrastructure
- Maintain and manage infrastructure:
  - Road pavements
  - Roadside furniture
  - Kerb and gutter
  - Footpaths
  - Cycleways
  - Bridges
  - Streetscape

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

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

- Road reserve signage and pavement markings
- Stormwater drainage
- Traffic facilities and devices
- Public carparks

**Library and History Services**

- Deliver library services to a network of eight libraries with about 100,000 library members
- Provide a program of regular activities
- Manage the annual one million visitors to the library, the one million borrowed items and free access to technology and digital resources
- Provide history services and research, manage collections and archives, present exhibitions and displays and run community workshops and programs
- Partner with community organisations and schools to expand library activities and increase library use

**Recreation and Aquatics**

- Develop, plan for, and promote recreation opportunities to meet the needs of the Inner West Community.
- Manage Council's service provider contracts for the two indoor recreational facilities to ensure that services and programming meet the needs of the community
- Manage the service provider contracts for Annette Kellerman Aquatic Centre and Fanny Durack Aquatic Centre to ensure that services and programming meet the needs of the community
- Manage Ashfield Aquatic Centre, Dawn Fraser Baths and Leichhardt Park Aquatic Centre to ensure services and programming meet the needs of the community.
- Develop and deliver master plans for the public domain to support growth and change.

**Regulatory Services**

- Manage the urban environment in a way that protects life, property, amenities and the environment (natural, built and cultural) through the use of regulatory tools and education.

**Resource Recovery**

- Undertake strategic planning for Resource Recovery and provide policy, education and information that leads to behaviour change in relation to the avoidance, reuse, recycling and disposal of materials.
- Deliver daily collection and transport services to more than 90,000 households and businesses across the Inner West for waste, recycling, garden waste, household clean up, illegal dumping and lane cleaning, litter bins, Community Recycling Centres and other recycling services (e-waste, mattresses, white goods).

**Strategic Planning**

- Protect and improve the local, natural and built environment through land use policy and strategy development.
- Guide the efficient and effective use and distribution of Council's resources.
- Guide the delivery of local infrastructure ensuring it supports forecast growth.
- Deliver a suite of plans to drive change and economic development, shape future growth outcomes and guide the delivery of infrastructure.
- Develop outcomes based organisational strategy that reflects community needs and aspirations through effective integrated planning and reporting and delivery of the Community Strategic Plan, Delivery Program and Operational Plan.
- Develop and deliver master plans for the public domain to support growth and change.

**Tree, Parks and Sportsfields**

- Responsible for all activities within parks, reserves, sporting grounds and public open space, including maintenance, renewal and upgrade projects.
- Coordinating recreation planning and programs for parks and open space.
- Managing the implementation of Urban Forest Policy aims and objectives, including both public and private trees.
- Managing fleet procurement, including maintenance, use and disposal of Council's plant, vehicles and major equipment as well as overseeing Council's depot facilities, in particular their fleet maintenance, parking and storage provisions.
- Streetscape maintenance – including street sweeping, verge mowing and weed control.
- Developing, delivering and promoting recreation opportunities to meet the needs of the Inner West community.

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 2(b). Council functions/activities - component descriptions (continued)**

- Managing Council's service provider contracts for indoor recreational facilities, the Debbie and Abbey Borgia Recreation Centre and Robyn Webster Sports Centre, to ensure that services and programming meet the needs of the community.

**Note 3. Income from continuing operations**

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	82,507	78,218
Business	35,070	34,746
Less: pensioner rebates (mandatory)	(1,978)	(344)
<b>Rates levied to ratepayers</b>	<b>115,599</b>	<b>112,620</b>
Pensioner rate subsidies received	967	964
<b>Total ordinary rates</b>	<b>116,566</b>	<b>113,584</b>
<b>Special rates</b>		
Environmental levy	262	240
Urban street	181	181
<b>Rates levied to ratepayers</b>	<b>443</b>	<b>421</b>
<b>Total special rates</b>	<b>443</b>	<b>421</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	42,238	37,302
Stormwater management services	1,771	1,754
Waste management services (non-domestic)	1,361	1,391
Section 611 charges	153	154
Less: pensioner rebates (Council policy)	(3,235)	(170)
<b>Annual charges levied</b>	<b>42,288</b>	<b>40,431</b>
<b>Total annual charges</b>	<b>42,288</b>	<b>40,431</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>159,297</b>	<b>154,436</b>

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

**Accounting policy for rates and charges**

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

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

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

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

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 3. Income from continuing operations (continued)**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
<small>(per s.502 - specific 'actual use' charges)</small>		
Domestic waste management services	284	218
Waste management services (non-domestic)	471	398
<b>Total specific user charges</b>	<b>755</b>	<b>616</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Building services – other	277	379
Private works – section 67	406	226
Regulatory/ statutory fees	346	348
Section 10.7 certificates (EP&A Act)	445	514
Town planning	5,544	5,696
Building services	83	23
Regulatory – compliance	1,581	1,416
Regulatory fees – other	1,510	889
<b>Total fees and charges – statutory/regulatory</b>	<b>10,192</b>	<b>9,491</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aged care	–	66
Child care	16,413	14,898
Community centres	462	406
Leisure centre	4,762	5,667
Park rents	1,509	872
Parking fees	3,587	3,869
Hoarding fees	979	854
Meals on wheels	322	291
Pool (admissions)	2,893	3,104
Other	978	1,328
<b>Total fees and charges – other</b>	<b>31,905</b>	<b>31,355</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>42,852</b>	<b>41,462</b>

**Accounting policy for user charges and fees**

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

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	594	437
– Cash and investments	3,986	5,878
– Other	1,928	–
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>6,508</b>	<b>6,315</b>

**Interest revenue is attributable to:**
**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	452	437
General Council cash and investments	4,128	5,128

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	1,928	750

**Total interest and investment revenue**

<b>6,508</b>	<b>6,315</b>
--------------	--------------

**Accounting policy for interest and investment revenue**

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

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

\$ '000	Notes	2019	2018
<b>(d) Other revenues</b>			
Rental income – investment property	10	3,059	2,876
Rental income – other council properties		2,940	2,580
Ex gratia rates		486	475
Fines – parking		15,168	12,565
Fines – other		1,050	108
Legal fees recovery – other		449	582
Diesel rebate		17	18
Credit card transaction fee		228	218
Other		1,953	1,733
Street furniture income		162	492
Bus shelter income		1,497	1,313
Donations Received		–	1,060
<b>TOTAL OTHER REVENUE</b>		<b>27,009</b>	<b>24,020</b>

**Accounting policy for other revenue**

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

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

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

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

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

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

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

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	1,987	2,228	–	–
Financial assistance – local roads component	666	242	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	2,060	2,482	–	–
Financial assistance – local roads component	690	276	–	–
<b>Total general purpose</b>	<b>5,403</b>	<b>5,228</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Aged care	936	814	–	–
Child care	1,073	862	–	–
Environmental programs	207	333	265	–
Floodplain management	32	–	–	–
LEP/DCP	750	–	–	–
Library – per capita	548	489	–	200
LIRS subsidy	133	159	–	–
Recreation and culture	150	–	996	–
Street lighting	660	655	–	–
Transport (roads to recovery)	–	–	–	–
Transport (other roads and bridges funding)	–	–	754	665
Other	–	–	1,094	378
Community services	156	290	–	–
<b>Total specific purpose</b>	<b>4,645</b>	<b>3,602</b>	<b>3,109</b>	<b>1,243</b>
<b>Total grants</b>	<b>10,048</b>	<b>8,830</b>	<b>3,109</b>	<b>1,243</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	6,548	5,228	–	–
– State funding	2,750	3,602	–	1,243
– Other funding	750	–	3,109	–
	<b>10,048</b>	<b>8,830</b>	<b>3,109</b>	<b>1,243</b>

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 3. Income from continuing operations (continued)**

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		–	–	5,052	699
S 7.11 – contributions towards amenities/services		–	–	11,678	12,369
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>16,730</b>	<b>13,068</b>
<b>Non-cash contributions</b>					
S 7.4 – contributions using planning agreements		–	–	2,840	1,160
<b>Total developer contributions non-cash</b>		<b>–</b>	<b>–</b>	<b>2,840</b>	<b>1,160</b>
<b>Total developer contributions</b>	24	<b>–</b>	<b>–</b>	<b>19,570</b>	<b>14,228</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Roads and bridges		–	–	767	1,223
RMS contributions (regional roads, block grant)		1,093	1,335	–	–
Other		590	358	–	144
<b>Total other contributions – cash</b>		<b>1,683</b>	<b>1,693</b>	<b>767</b>	<b>1,367</b>
<b>Total other contributions</b>		<b>1,683</b>	<b>1,693</b>	<b>767</b>	<b>1,367</b>
<b>Total contributions</b>		<b>1,683</b>	<b>1,693</b>	<b>20,337</b>	<b>15,595</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>11,731</b>	<b>10,523</b>	<b>23,446</b>	<b>16,838</b>

**Accounting policy for grants and contributions**

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

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

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

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

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

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

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 3. Income from continuing operations (continued)**

\$ '000	2019	2018
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	72,209	82,939
<b>Add:</b> operating grants recognised in the current period but not yet spent	17,270	20,290
<b>Add:</b> operating grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(78,834)	(31,020)
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>10,645</u>	<u>72,209</u>

**Note 4. Expenses from continuing operations**

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	91,923	82,570
Employee termination costs	2,086	2,236
Travel expenses	42	42
Employee leave entitlements (ELE)	12,752	12,505
Superannuation	9,863	9,505
Workers' compensation insurance	2,010	1,820
Fringe benefit tax (FBT)	569	567
Training costs (other than salaries and wages)	249	134
Other	140	51
<b>Total employee costs</b>	<u>119,634</u>	<u>109,430</u>
Less: capitalised costs	(137)	(119)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<u>119,497</u>	<u>109,311</u>
Number of 'full-time equivalent' employees (FTE) at year end	1,036	1,038

**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 18 for more information.

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Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on loans	620	860
<b>Total interest bearing liability costs expensed</b>	<b>620</b>	<b>860</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>620</b>	<b>860</b>

**Accounting policy for borrowing costs**

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

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	9,853	9,787
Contractor and consultancy costs	71	–
– Agency Staff	13,223	10,515
– Consultants	2,953	3,226
– Contractors	26,757	23,245
Auditors remuneration <sup>2</sup>	554	148
<b>Legal expenses:</b>		
– Legal expenses: planning and development	567	841
– Legal expenses: debt recovery	437	248
– Legal expenses: other	88	166
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	818	1,120
Tipping fees	9,814	9,131
<b>Total materials and contracts</b>	<b>65,135</b>	<b>58,427</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>65,135</b>	<b>58,427</b>

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Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 4. Expenses from continuing operations (continued)**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
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**Accounting policy for 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:**

Computers	557	466
Motor vehicles	141	232
Other	120	422
	<u>818</u>	<u>1,120</u>

**2. Auditor remuneration**

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

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

Audit and review of financial statements	276	148
<b>Remuneration for audit and other assurance services</b>	<u>276</u>	<u>148</u>

**Total Auditor-General remuneration**

	<u>276</u>	<u>148</u>
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**Non NSW Auditor-General audit firms**
**(i) Audit and other assurance services**

Internal Audit Services	278	-
<b>Remuneration for audit and other assurance services</b>	<u>278</u>	<u>-</u>

**Total remuneration of non NSW Auditor-General audit firms**

	<u>278</u>	<u>-</u>
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**Total Auditor remuneration**

	<u>554</u>	<u>148</u>
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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		2,129	2,502
Office equipment		78	615
Furniture and fittings		128	194
Land improvements (depreciable)		3,362	3,688
Car parks (depreciable)		178	206
<b>Infrastructure:</b>			
– Buildings		6,806	5,861
– Roads		6,635	7,748
– Bridges		179	181
– Footpaths		1,235	1,601
– Other road assets		689	771
– Stormwater drainage		1,233	1,471
– Swimming pools		1,180	1,648
– Wharves		81	81
– Sea walls		388	394
– Kerb and gutter		1,410	991
<b>Other assets:</b>			
– Domestic waste vehicles		384	344
Intangible assets	11	499	–
<b>Total gross depreciation and amortisation costs</b>		<b>26,594</b>	<b>28,296</b>
<b>Total depreciation and amortisation costs</b>		<b>26,594</b>	<b>28,296</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>			
– Buildings		–	8,913
– Bulk Earthworks (Non Depreciable)		–	86
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>–</b>	<b>8,999</b>
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>–</b>	<b>8,999</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>		<b>26,594</b>	<b>37,295</b>

**Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**
**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 11 for intangible assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

**Impairment of non-financial assets**

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

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Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

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

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

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

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

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>(e) Other expenses</b>		
Advertising	1,149	779
Bad and doubtful debts	1,878	999
Bank charges	510	464
Computer software charges	4,112	3,943
Contributions/levies to other levels of government		
– NSW fire brigade levy	3,269	3,320
– SEINS processing fees	2,120	1,694
– Waste levy	4,273	4,131
Councillor expenses – mayoral fee (incl deputy mayor)	76	53
Councillor expenses – councillors' fees	351	282
Administration and committee fees	39	212
Donations, contributions and assistance to other organisations (Section 356)	2,088	2,213
Electricity and heating	3,230	2,392
Insurance	2,292	2,205
Postage	621	685
Printing and stationery	255	–
Street lighting	1,663	1,629
Subscriptions and publications	473	611
Telephone and communications	1,266	1,547
Valuation fees	350	344
Water rates	1,068	972
Gas	593	749
Other	2,745	2,962
<b>Total other expenses</b>	<b>34,421</b>	<b>32,186</b>
<b>TOTAL OTHER EXPENSES</b>	<b>34,421</b>	<b>32,186</b>

**Accounting policy for other expenses**

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

**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 5. Gains or losses from the disposal, replacement and de-recognition of assets**

\$ '000	Notes	2019	2018
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		–	35,038
Less: carrying amount of property assets sold/written off		(3,331)	(35,364)
<b>Net gain/(loss) on disposal</b>		<b>(3,331)</b>	<b>(326)</b>
<b>Plant and equipment</b>			
	9(a)		
Proceeds from disposal – plant and equipment		1,460	2,113
Less: carrying amount of plant and equipment assets sold/written off		(1,554)	(1,933)
<b>Net gain/(loss) on disposal</b>		<b>(94)</b>	<b>180</b>
<b>Infrastructure</b>			
	9(a)		
Proceeds from disposal – infrastructure		–	204
Less: carrying amount of infrastructure assets sold/written off		(910)	(1,282)
<b>Net gain/(loss) on disposal</b>		<b>(910)</b>	<b>(1,078)</b>
<b>Investments</b>			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		–	266,502
Less: carrying amount of investments sold/redeemed/matured		–	(266,502)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Operational Land</b>			
Proceeds from disposal – Operational Land		930	–
Less: carrying amount of Operational Land assets sold/written off		(65)	–
<b>Net gain/(loss) on disposal</b>		<b>865</b>	<b>–</b>
<b>Aquatic Facilities</b>			
Proceeds from disposal – Aquatic Facilities		–	–
Less: carrying amount of Aquatic Facilities assets sold/written off		(4,812)	–
<b>Net gain/(loss) on disposal</b>		<b>(4,812)</b>	<b>–</b>
<b>Land improvements</b>			
Proceeds from disposal – Land Improvements		–	–
Less: carrying amount of Land improvements assets sold/written off		–	–
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(8,282)</b>	<b>(1,224)</b>

**Accounting policy for disposal of assets**

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

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

**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 6(a). Cash and cash equivalent assets**

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	23,798	12,835
<b>Total cash and cash equivalents</b>	<b>23,798</b>	<b>12,835</b>

**Accounting policy for cash and cash equivalents**

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

**Note 6(b). Investments**

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss' – 'Held for trading'	–	1,139	–	1,156
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	118,330	78,544	142,488	60,835
<b>Total Investments</b>	<b>118,330</b>	<b>79,683</b>	<b>142,488</b>	<b>61,991</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>142,128</b>	<b>79,683</b>	<b>155,323</b>	<b>61,991</b>
<b>Financial assets at fair value through the profit and loss</b>				
Mortgage backed securities	–	1,139	–	1,156
<b>Total</b>	<b>–</b>	<b>1,139</b>	<b>–</b>	<b>1,156</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	105,130	10,000	139,467	4,078
NCD's, FRN's (with maturities > 3 months)	11,200	29,500	3,021	28,339
Fixed bonds (ADIs)	2,000	39,044	–	28,418
<b>Total</b>	<b>118,330</b>	<b>78,544</b>	<b>142,488</b>	<b>60,835</b>

**Accounting policy for investments**
**Accounting policy under AASB 9 – applicable from 1 July 2018**

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

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

**Financial assets**

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

**Classification**

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

- amortised cost
- fair value through profit and loss (FVTPL)

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019****Note 6(b). Investments (continued)**

Financial assets are not reclassified subsequent to their initial recognition.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise Term Deposits, Floating Rate Notes, Fixed Rate Notes, trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

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

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

**Financial assets through profit or loss**

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

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

Council's financial assets measured at fair value through profit or loss comprise investments in Mortgage-Backed Securities in the Statement of Financial Position.

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

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

**(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.

**(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.

**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.

**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 6(c). Restricted cash, cash equivalents and investments – details**

\$ '000	2019		2018	
	Current <sup>1</sup>	Non-current	Current <sup>1</sup>	Non-current
Total cash, cash equivalents and investments	142,128	79,683	155,323	61,991
<b>attributable to:</b>				
External restrictions	25,914	79,683	38,431	61,991
Internal restrictions	53,566	–	46,535	–
Unrestricted	62,648	–	70,357	–
	142,128	79,683	155,323	61,991

(1) All funds, including unrestricted funds, have been allocated to upcoming Council projects in line with the Operational and Asset Management Plans. The Unrestricted funds have been set aside within internal council reserves covering the cost of projects as per these plans.

\$ '000	2019	2018
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**Details of restrictions**
**External restrictions – other**

Developer contributions – general	63,212	54,109
Specific purpose unexpended grants	10,645	18,100
Domestic waste management	24,886	22,127
Stormwater management	730	501
Watershed	59	59
SRV Income	4,963	5,026
Mainstreet levy	240	240
3.5% levy reserve	862	260

**External restrictions – other**

	105,597	100,422
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**Total external restrictions**

	105,597	100,422
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**Internal restrictions**

Employees leave entitlement	34,442	29,783
Deposits, retentions and bonds	16,374	13,994
FAG reserve	2,750	2,758

**Total internal restrictions**

	53,566	46,535
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**TOTAL RESTRICTIONS**

	159,163	146,957
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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 7. Receivables**

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	6,406	–	5,374	433
Interest and extra charges	1,428	–	853	197
User charges and fees	3,311	–	3,901	–
Accrued revenues				
– Interest on investments	1,177	–	16	–
– Other income accruals	3,381	–	1,202	–
Fines	8,010	–	6,336	–
Net GST receivable	2,637	–	2,642	–
Other debtors	24,921	–	198	24,672
<b>Total</b>	<b>51,271</b>	<b>–</b>	<b>20,522</b>	<b>25,302</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(341)	–	(414)	–
Interest and extra charges	(54)	–	(197)	–
User charges and fees	(519)	–	(1,176)	–
Fines	(2,779)	–	(2,267)	–
<b>Total provision for impairment – receivables</b>	<b>(3,693)</b>	<b>–</b>	<b>(4,054)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>47,578</b>	<b>–</b>	<b>16,468</b>	<b>25,302</b>
<b>Externally restricted receivables</b>				
<b>Domestic waste management</b>	1,444	–	1,171	–
<b>Stormwater management</b>	74	–	78	–
<b>Other</b>				
– Developer Contributions <sup>1</sup>	24,672	–	–	–
– Urban centres levy	1	–	4	–
<b>Total external restrictions</b>	<b>26,191</b>	<b>–</b>	<b>1,253</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>21,387</b>	<b>–</b>	<b>15,215</b>	<b>25,302</b>
<b>TOTAL NET RECEIVABLES</b>	<b>47,578</b>	<b>–</b>	<b>16,468</b>	<b>25,302</b>

(1) This relates to in-kind contributions for the Marrickville Library.

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	4,054	3,088
+ new provisions recognised during the year	1,864	966
– amounts already provided for and written off this year	(452)	–
– amounts provided for but recovered during the year	(1,773)	–
<b>Balance at the end of the period</b>	<b>3,693</b>	<b>4,054</b>

**Accounting policy for receivables**

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**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 7. Receivables (continued)****Recognition and measurement**

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

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

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

**Impairment****Accounting policy under AASB 9 applicable from 1 July 2018**

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

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

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

The Council recognizes that a financial asset is in default when:

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

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

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

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

Rates and annual charges outstanding are secured against the property.

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**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 8. Inventories and other assets**

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	148	–	161	–
Trading stock	32	–	17	–
<b>Total inventories at cost</b>	<b>180</b>	<b>–</b>	<b>178</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>180</b>	<b>–</b>	<b>178</b>	<b>–</b>

**(b) Other assets**

Prepayments	3,291	–	3,827	–
<b>TOTAL OTHER ASSETS</b>	<b>3,291</b>	<b>–</b>	<b>3,827</b>	<b>–</b>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Total externally restricted assets</b>	–	–	–	–
<b>Total internally restricted assets</b>	–	–	–	–
<b>Total unrestricted assets</b>	3,471	–	4,005	–
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>3,471</b>	<b>–</b>	<b>4,005</b>	<b>–</b>

**Accounting policy for inventories and other assets**
**Raw materials and stores, work in progress and finished goods**

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

**Inventory held for distribution**

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

**Inner West Council**

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**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 9(a). Infrastructure, property, plant and equipment**

	as at 30/6/2018			Asset movements during the reporting period						as at 30/6/2019		
	Gross carrying amount Restated	Accumulated depreciation	Net carrying amount Restated	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000												
Capital work in progress	27,591	–	27,591	8,430	–	–	–	–	–	36,021	–	36,021
Plant and equipment	29,340	(17,213)	12,127	–	3,736	(1,554)	(2,129)	–	–	30,033	(17,853)	12,180
Office equipment	5,208	(2,910)	2,298	–	1,089	–	(78)	(1,896)	–	4,400	(2,986)	1,414
Furniture and fittings	1,960	(1,265)	695	–	34	–	(128)	–	–	1,993	(1,394)	599
<b>Land:</b>												
– Crown land	88,336	–	88,336	–	–	–	–	97,858	–	97,858	–	97,858
– Operational land	395,312	–	395,312	–	–	(65)	–	827	–	396,074	–	396,074
– Community land	177,258	–	177,258	–	–	–	–	(98,685)	–	166,909	–	166,909
Land improvements – non-depreciable	4,259	–	4,259	–	–	–	–	–	–	4,259	–	4,259
Land improvements – depreciable	108,760	(27,573)	81,187	5,416	–	–	(3,362)	–	–	114,176	(30,935)	83,241
Car parks – non-depreciable	3,547	–	3,547	–	–	–	–	–	–	3,547	–	3,547
Car parks – depreciable	10,869	(2,877)	7,992	324	–	–	(178)	–	–	11,193	(3,055)	8,138
<b>Infrastructure:</b>												
– Buildings	318,579	(84,345)	234,234	8,873	–	(3,331)	(6,806)	8,865	3,307	337,613	(92,473)	245,140
– Buildings – specialised	–	–	–	–	–	–	–	–	–	–	–	–
– Roads	317,055	(155,914)	161,141	7,687	–	(407)	(7,291)	–	–	322,570	(160,783)	161,787
– Bridges	15,422	(4,667)	10,755	573	–	–	(179)	–	–	15,995	(4,844)	11,151
– Footpaths	107,756	(34,851)	72,905	11,808	–	–	(1,235)	–	–	119,564	(36,086)	83,478
– Kerb and gutter	186,959	(75,508)	111,451	793	–	(502)	(1,410)	–	7,286	194,584	(76,965)	117,619
– Other road assets	21,451	(6,201)	15,250	198	–	–	(33)	–	–	21,649	(6,891)	14,758
– Bulk earthworks (non-depreciable)	512,259	–	512,259	–	–	–	–	–	–	512,259	–	512,259
– Sea walls	37,424	(10,174)	27,250	–	–	–	(388)	–	–	37,424	(10,562)	26,862
– Wharves	6,308	(2,178)	4,130	–	–	–	(81)	–	–	6,308	(2,258)	4,050
– Stormwater drainage	174,452	(53,919)	120,533	3,181	–	–	(1,233)	–	–	177,633	(55,152)	122,481
– Aquatic Centres	66,174	(11,724)	54,450	–	–	(4,812)	(1,180)	(8,865)	4,303	55,122	(11,222)	43,900
<b>Other assets:</b>												
– Domestic waste vehicles	4,511	(1,387)	3,124	–	–	–	(384)	–	–	4,511	(1,771)	2,740
<b>Total Infrastructure, property, plant and equipment</b>	<b>2,620,790</b>	<b>(492,706)</b>	<b>2,128,084</b>	<b>47,283</b>	<b>4,859</b>	<b>(10,671)</b>	<b>(26,095)</b>	<b>(1,896)</b>	<b>14,896</b>	<b>2,671,695</b>	<b>(515,230)</b>	<b>2,156,465</b>

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

**Inner West Council**

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**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 9(a). Infrastructure, property, plant and equipment (continued)**
**Accounting policy for infrastructure, property, plant and equipment**

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. 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 the Council will obtain ownership at the end of the lease term. 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:

Council reassessed the useful lives of Property, Plant and Equipment which resulted in a change in useful lives in the following class of assets. This was undertaken for Buildings, Kerb & Gutter, Footpaths, Stormwater and seawalls. As a result of this the overall depreciation expense decreased from \$28.2 million to \$26 million.

<b>Plant and equipment</b>	<b>Years</b>	<b>Property Assets</b>	<b>Years</b>
Office equipment	5 to 10	Buildings	9 to 151
Office furniture	2 to 10	Aquatic Centres	10 to 75
Plant and Fleet	2 to 10		
Domestic Waste Vehicles	3 to 6	<b>Play Spaces and Sporting Fields</b>	<b>Years</b>
		Land Improvements Parks (depreciable)	5 to 124
<b>Transport Assets</b>	<b>Years</b>	Seawalls	20 to 100
Roads	25 to 151	Wharves	20 to 80
Road Formation/Bulk Earthworks	Not depreciable		
Bridges	15 to 162		
Footpaths	25 to 129		
Kerb and Gutter	100 to 200		
Traffic Devices	20 to 80		
Other Road assets	5 to 129		
Car Parks (Non Depreciable)	Not Depreciable		
Car Parks (Depreciable)	11 to 150		
Stormwater Drainage	15 - 196		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

**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.

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**Inner West Council**

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**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 9(a). Infrastructure, property, plant and equipment (continued)**
**Crown reserves**

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

**Rural Fire Service assets**

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

At present, Council does not have any rural fire service assets.

**Note 9(b). Externally restricted infrastructure, property, plant and equipment**

	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount Restated	Accumulated depn. and impairment	Net carrying amount Restated
<b>Domestic waste management</b>						
Domestic waste vehicles	4,511	1,771	2,740	4,511	1,387	3,124
<b>Total DWM</b>	4,511	1,771	2,740	4,511	1,387	3,124
<b><u>TOTAL RESTRICTED I,PP&amp;E</u></b>	<b>4,511</b>	<b>1,771</b>	<b>2,740</b>	<b>4,511</b>	<b>1,387</b>	<b>3,124</b>

\$ '000

**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 10. Investment property**

\$ '000	2019	2018
<b>(a) Investment property at fair value</b>		
<b>Investment property on hand</b>	28,489	28,040
<b>Reconciliation of annual movement:</b>		
<b>Opening balance</b>	28,040	28,040
– Net gain/(loss) from fair value adjustments	449	–
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>28,489</b>	<b>28,040</b>

**(b) Valuation basis**

The basis of valuation of investment property is fair value. This uses the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location, condition and subject to similar lease terms.

The 2019 revaluations were based on the 2018 independent assessments made by Scott Fullerton Valuers, increased by the value of the FY19 Consumer Price Index.

**(c) Investment property income and expenditure – summary**

<b>Rental income from investment property:</b>		
– Minimum lease payments	3,059	2,876
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(6)	–
<b>Net revenue contribution from investment property</b>	<b>3,053</b>	<b>2,876</b>
<b>Fair value movement for year</b>	<b>449</b>	<b>–</b>
<b>Total income attributable to investment property</b>	<b>3,502</b>	<b>2,876</b>

**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 a separate line item.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

**Inner West Council**
**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 11. Intangible assets**

<u>\$ '000</u>	<u>2019</u>	<u>2018</u>
Intangible assets are as follows:		
<b>Opening values at 1 July</b>		
Gross book value	-	-
<b>Net book value – opening balance</b>	-	-
<b>Movements for the year</b>		
- Transfers from other asset classes	1,896	-
- Amortisation charges	(499)	-
<b>Closing values at 30 June</b>		
Gross book value	1,397	-
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b>	<u>1,397</u>	<u>-</u>
<b>The net book value of intangible assets represents:</b>		
- Software	1,397	-
	<u>1,397</u>	<u>-</u>

**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.

**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 12. Payables and borrowings**

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	12,943	–	8,655	–
Goods and services – capital expenditure	–	–	4,787	–
Accrued expenses:				
– Borrowings	19	–	25	–
– Salaries and wages	1,073	–	357	–
– Other expenditure accruals	4,210	–	1,292	–
Security bonds, deposits and retentions	16,645	–	14,289	–
Other	1,008	–	803	–
<b>Total payables</b>	<b>35,898</b>	<b>–</b>	<b>30,208</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	4,267	–	1,764	–
<b>Total income received in advance</b>	<b>4,267</b>	<b>–</b>	<b>1,764</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	3,683	5,416	4,232	9,104
<b>Total borrowings</b>	<b>3,683</b>	<b>5,416</b>	<b>4,232</b>	<b>9,104</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>43,848</b>	<b>5,416</b>	<b>36,204</b>	<b>9,104</b>

<sup>(1)</sup> Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19.

\$ '000	2019	2018
<b>(a) Current payables and borrowings not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	10,460	10,002
<b>Total payables and borrowings</b>	<b>10,460</b>	<b>10,002</b>

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 12. Payables and borrowings (continued)**
**(b) Changes in liabilities arising from financing activities**

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	13,336	(4,237)	–	–	–	9,099
<b>TOTAL</b>	<b>13,336</b>	<b>(4,237)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9,099</b>

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	18,044	(4,708)	–	–	–	13,336
<b>TOTAL</b>	<b>18,044</b>	<b>(4,708)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13,336</b>

\$ '000	2019	2018
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**(c) Financing arrangements**
**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities <sup>1</sup>	2,000	2,000
Credit cards/purchase cards	549	549
<b>Total financing arrangements</b>	<b>2,549</b>	<b>2,549</b>

**Undrawn facilities as at balance date:**

– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	549	549
<b>Total undrawn financing arrangements</b>	<b>2,549</b>	<b>2,549</b>

**Additional financing arrangements information**
**Breaches and defaults**

During the current and prior year, there were no defaults or breaches on any of the loans.

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

**Accounting policy for payables and borrowings**

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

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

**Payables**

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

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment

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## Inner West Council

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**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 12. Payables and borrowings (continued)**

of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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 assets 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.

**Inner West Council**
**Notes to the Financial Statements**  
for the year ended 30 June 2019

**Note 13. Provisions**

<b>\$ '000</b>	<b>2019 Current</b>	<b>2019 Non-current</b>	<b>2018 Current</b>	<b>2018 Non-current</b>
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	9,647	–	8,841	–
Sick leave	600	–	–	–
Long service leave	19,232	1,902	16,568	1,841
Other leave	806	–	593	–
ELE on-costs	2,148	107	1,746	193
<b>Sub-total – aggregate employee benefits</b>	<b>32,433</b>	<b>2,009</b>	<b>27,748</b>	<b>2,034</b>
<b>Other provisions</b>				
Excess insurance	–	–	150	107
<b>Sub-total – other provisions</b>	<b>–</b>	<b>–</b>	<b>150</b>	<b>107</b>
<b>TOTAL PROVISIONS</b>	<b>32,433</b>	<b>2,009</b>	<b>27,898</b>	<b>2,141</b>

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

<b>Total provisions relating to restricted assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>32,433</b>	<b>2,009</b>	<b>27,898</b>	<b>2,141</b>
<b>TOTAL PROVISIONS</b>	<b>32,433</b>	<b>2,009</b>	<b>27,898</b>	<b>2,141</b>

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
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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	19,485	16,969
	<u>19,485</u>	<u>16,969</u>

**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**

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019****Note 13. Provisions (continued)**

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

**Other long-term employee benefit obligations**

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**On-costs**

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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.

**Note 14. 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 / decrements of non-current asset values due to their revaluation.

**(b) Correction of errors relating to a previous reporting period****Nature of prior-period error**

As part of the process of consolidating the asset register onto the One Council system, Council identified Crown Land (valued at \$3.5m); Community Land (valued at \$29m) and Operational Land (valued at \$0.2m) which had not been previously recorded within its asset register. The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date. Council also identified Buildings (\$7.3m) and Aquatic Facilities (\$0.1m) that had not been previously recorded in its asset register. The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

Council also identified land parcels that had been incorrectly included in more than one asset class for the following asset classes:

- Community Land (\$47.8m)
- Crown Land (\$1.7m)
- Operational Land (\$13m)

These duplicate land parcels reduced retained earnings as at 1 July 2017. Within this process, \$4.7m of increases in land value (as per the FY18 revaluation that was undertaken by Inner West Council) that flowed into the Asset Revaluation Reserve, which related to duplicate land parcels was also removed. Council also identified duplicate building assets in the asset register.

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**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date

<b>Changes to Accumulated Surplus at 1 July 2017</b>	<b>\$'000</b>
<b>Total Equity (as previously disclosed)</b>	<b>2,256,743</b>
Buildings derecognised (duplicated)	(4,828)
Buildings previously not reported	7,288
Aquatics not previously recognised	47
Crown Land not previously recognised	3,494
Crown Land derecognised (duplicated)	(1,702)
Operational Land derecognised (duplicated)	(12,994)
Operational Land previously not recognised	220
Community Land derecognised (duplicated)	(47,837)
Community Land not previously recognised	28,958
Operational Land Revaluation Gain on Duplicate Land (Reversed)	(4,730)
<b>Restated Total Equity</b>	<b>2,224,659</b>
<b>Changes to Infrastructure, Plant, Property and Equipment at 1 July 2017</b>	<b>\$'000</b>
<b>Total Assets (as previously disclosed)</b>	<b>2,078,795</b>
Buildings derecognised (duplicated)	(4,828)
Buildings previously not reported	7,288
Aquatics not previously recognised	47
Crown Land not previously recognised	3,494
Crown Land derecognised (duplicated)	(1,702)
Operational Land derecognised (duplicated)	(12,994)
Operational Land previously not recognised	220
Community Land derecognised (duplicated)	(47,837)
Community Land not previously recognised	28,958
Operational Land Revaluation Gain on Duplicate Land (Reversed)	(4,730)
<b>Restated Total Assets</b>	<b>2,046,711</b>

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**
**Statement of Financial Position**

\$ '000	<i>Original Balance 1 July, 2017</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 1 July, 2017</i>
<b>Changes to the Statement of Financial Position at 1 July 2017</b>			
Infrastructure, property, plant and equipment	2,078,795	(27,534)	2,051,261
<b>Total assets</b>	<b>2,334,456</b>	<b>(27,534)</b>	<b>2,306,922</b>
Accumulated Surplus	2,178,552	(27,354)	2,151,198
Revaluation Reserve	78,191	–	78,191
<b>Total equity</b>	<b>2,256,743</b>	<b>(27,354)</b>	<b>2,229,209</b>

**Adjustments to the comparative figures for the year ended 30 June 2018**
**Statement of Financial Position**

\$ '000	<i>Original Balance 30 June, 2018</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2018</i>
Infrastructure, property, plant and equipment	2,160,169	(32,084)	2,128,085
<b>Total assets</b>	<b>2,454,791</b>	<b>(32,084)</b>	<b>2,422,707</b>
Accumulated Surplus	2,193,310	(27,354)	2,165,956
Revaluation reserve	186,133	(4,730)	181,403
<b>Total equity</b>	<b>2,379,444</b>	<b>(32,084)</b>	<b>2,347,360</b>

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

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

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

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

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

**Classification of financial assets**

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

- measured at amortised cost
- fair value through profit or loss

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies,  
changes in accounting estimates and errors (continued)**

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There has been no material impact on the Financial Statements of Inner West Council from these changes.

**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 15. Statement of cash flows - additional information**

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	23,798	12,835
<b>Balance as per the Statement of Cash Flows</b>		<b>23,798</b>	<b>12,835</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		16,887	14,758
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		26,594	28,296
Net losses/(gains) on disposal of assets		8,282	1,224
Non-cash capital grants and contributions		(2,840)	(1,160)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– investment property		(449)	–
– Revaluation decrements / impairments of IPP&E direct to P&L		–	8,999
Share of net (profits)/losses of associates/joint ventures using the equity method		(144)	(468)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(5,447)	(25,493)
Increase/(decrease) in provision for impairment of receivables		(361)	966
Decrease/(increase) in inventories		(2)	29
Decrease/(increase) in other current assets		536	(1,487)
Increase/(decrease) in payables		4,288	461
Increase/(decrease) in accrued interest payable		(6)	(5)
Increase/(decrease) in other accrued expenses payable		3,634	(1,614)
Increase/(decrease) in other liabilities		5,064	2,261
Increase/(decrease) in provision for employee benefits		4,660	(2,755)
Increase/(decrease) in other provisions		(257)	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>60,439</b>	<b>24,012</b>
<b>(c) Non-cash investing and financing activities</b>			
Developer contributions 'in kind'		2,840	1,160
<b>Total non-cash investing and financing activities</b>		<b>2,840</b>	<b>1,160</b>

**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 16. Interests in other entities**

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	144	467	3,637	3,493
<b>Total</b>	<b>144</b>	<b>467</b>	<b>3,637</b>	<b>3,493</b>

**Joint Ventures**
**(a) Net carrying amounts – Council's share**

\$ '000	Nature of relationship	Measurement method	2019	2018
CivicRisk Mutual	Joint Venture	Equity method	258	272
CivicRisk Metro	Joint Venture	Equity method	3,379	3,221
<b>Total carrying amounts – material associates</b>			<b>3,637</b>	<b>3,493</b>

**(b) Details**

	Principal activity	Place of business
CivicRisk Mutual	Local govt. insurance coverage	Penrith NSW
CivicRisk Metro	Local govt. insurance coverage	Penrith NSW

**(c) Relevant interests and fair values**

\$ '000	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018	2019	2018
CivicRisk Mutual	258	272	4%	3%	4%	3%	6%	6%
CivicRisk Metro	3,379	3,221	23%	24%	23%	24%	17%	16%

**(d) Summarised financial information for associates**

\$ '000	CivicRisk Mutual		CivicRisk Metro	
	2019	2018	2019	2018
<b>Statement of financial position</b>				
<b>Current assets</b>				
Other current assets	9,028	6,917	10,154	8,129
<b>Non-current assets</b>	<b>5,368</b>	<b>5,989</b>	<b>12,769</b>	<b>16,220</b>
<b>Current liabilities</b>				
Other current liabilities	4,578	2,989	1,625	1,815
<b>Non-current liabilities</b>				
Non-current financial liabilities (excluding trade and other payables and provisions)	2,279	1,448	6,651	8,985
<b>Net assets</b>	<b>7,539</b>	<b>8,469</b>	<b>14,647</b>	<b>13,549</b>
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	14,959	12,980	13,549	11,611

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 16. Interests in other entities (continued)**

\$ '000	<i>CivicRisk Mutual</i>		<i>CivicRisk Metro</i>	
	2019	2018	2019	2018
Profit/(loss) for the period	(1,524)	1,979	1,099	1,938
<b>Closing net assets</b>	<b>13,435</b>	<b>14,959</b>	<b>14,648</b>	<b>13,549</b>
<b>Council's share of net assets (%)</b>	<b>3%</b>	<b>3%</b>	<b>23%</b>	<b>24%</b>
<b>Council's share of net assets (\$)</b>	<b>258</b>	<b>271</b>	<b>3,379</b>	<b>3,221</b>

**Accounting policy for associates**

Interests in associates are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

The Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated.

Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

**Note 17. Commitments**

\$ '000	2019	2018
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**(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	43,958	2,697
Plant and equipment	384	752
Infrastructure	3,050	4,143
ICT	752	-
Other	2,578	1,465
<b>Total commitments</b>	<b>50,722</b>	<b>9,057</b>

**These expenditures are payable as follows:**

Within the next year	50,722	9,057
<b>Total payable</b>	<b>50,722</b>	<b>9,057</b>

**Sources for funding of capital commitments:**

Unrestricted general funds	50,722	9,057
<b>Total sources of funding</b>	<b>50,722</b>	<b>9,057</b>

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Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 17. Commitments (continued)**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>(b) Operating lease commitments (non-cancellable)</b>		
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>		
Within the next year	761	416
Later than one year and not later than 5 years	2,588	247
<b>Total non-cancellable operating lease commitments</b>	<b>3,349</b>	<b>663</b>

**Note 18. Contingencies and other assets/liabilities not recognised**

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

**LIABILITIES NOT RECOGNISED**
**1. Guarantees**
**(i) Defined benefit superannuation contribution plans**

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

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

Given the factors 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 members).

*Description of the funding arrangements.*

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 member contributions for non-180 Point Members; Nil for 180 Point Memebers
Division C	2.5% salaries
Division D	1.64 times member 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 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 18. Contingencies and other assets/liabilities not recognised (continued)**

*Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan*

As stated above, each sponsoring employer (Council) 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 Council.

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

Council's expected contribution to the plan for the next annual reporting period is \$1,626,903.56.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

\* excluding member accounts and reserves in both assets and liabilities.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

Investment return	5.75% per annum
Salary inflation	3.5% per annum
Increase in CPI	2.5% per annum

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 group.

**(ii) Statewide Limited**

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

**(iii) StateCover Limited**

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

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**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 18. Contingencies and other assets/liabilities not recognised (continued)**

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These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

**(iv) Other guarantees**

Council has provided no other guarantees other than those listed above.

**2. Other liabilities****(i) Third party claims**

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

**(ii) Potential land acquisitions due to planning restrictions imposed by Council**

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

**ASSETS NOT RECOGNISED****(i) Land under roads**

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

**Inner West Council**

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**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 19. Financial risk management**
**Risk management**

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

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

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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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

\$ '000	<i>Carrying value 2019</i>	<i>Carrying value 2018</i>	<i>Fair value 2019</i>	<i>Fair value 2018</i>
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	23,798	12,835	23,798	12,835
Receivables	47,578	41,770	47,578	41,770
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	196,874	203,323	200,149	204,479
<b>Fair value through profit and loss</b>				
Investments				
– 'Held for trading'	1,139	1,156	1,139	–
<b>Total financial assets</b>	<b>269,389</b>	<b>259,084</b>	<b>272,664</b>	<b>259,084</b>
<b>Financial liabilities</b>				
Payables	35,898	30,208	35,898	30,207
Loans/advances	9,099	13,336	9,099	13,336
<b>Total financial liabilities</b>	<b>44,997</b>	<b>43,544</b>	<b>44,997</b>	<b>43,543</b>

Fair value is determined as follows:

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

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

Council's finance area 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 Minister's investment order 625. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

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Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 19. Financial risk management (continued)**

The risks associated with the instruments held are:

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 10% movement in market values	27,645	27,645	(27,645)	(27,645)
Possible impact of a 1% movement in interest rates	2,765	2,765	(2,765)	(2,765)
<b>2018</b>				
Possible impact of a 10% movement in market values	25,734	25,734	(25,734)	(25,734)
Possible impact of a 1% movement in interest rates	2,573	2,573	(2,573)	(2,573)

**(b) Credit risk**

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

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.

**Credit risk profile**
**Receivables – rates and annual charges**

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

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**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 19. Financial risk management (continued)**

\$ '000	<i>Not yet overdue</i>	<i>&lt; 1 year overdue</i>	<i>1 - 2 years overdue</i>	<i>2 - 5 years overdue</i>	<i>&gt; 5 years overdue</i>	<i>Total</i>
<b>2019</b>						
Gross carrying amount	–	3,514	1,091	318	1,483	6,406
<b>2018</b>						
Gross carrying amount	–	5,807	–	–	–	5,807

**(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.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	<i>Weighted average interest rate</i>	<i>Subject to no maturity</i>	<i>≤ 1 Year</i>	<i>payable in: 1 - 5 Years</i>	<i>&gt; 5 Years</i>	<i>Total cash outflows</i>	<i>Actual carrying values</i>
<b>2019</b>							
Trade/other payables	0.00%	16,645	19,253	–	–	35,898	35,898
Loans and advances	5.16%	–	3,991	5,868	–	9,859	9,099
<b>Total financial liabilities</b>		<u>16,645</u>	<u>23,244</u>	<u>5,868</u>	<u>–</u>	<u>45,757</u>	<u>44,997</u>
<b>2018</b>							
Trade/other payables	0.00%	14,289	15,919	–	–	30,208	30,208
Loans and advances	5.16%	–	4,864	6,781	2,805	14,450	13,336
<b>Total financial liabilities</b>		<u>14,289</u>	<u>20,783</u>	<u>6,781</u>	<u>2,805</u>	<u>44,658</u>	<u>43,544</u>

**Note 20. Material budget variations**

Council's original financial budget for 18/19 was adopted by the Council on 28 June 2018 and is unaudited.

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

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**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 20. Material budget variations (continued)**

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

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

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

\$ '000	2019 <i>Budget</i>	2019 <i>Actual</i>	2019 <i>Variance</i>		
<b>REVENUES</b>					
Rates and annual charges	157,097	159,297	2,200	1%	<b>F</b>
User charges and fees	44,429	42,852	(1,577)	(4)%	<b>U</b>
Interest and investment revenue	5,167	6,508	1,341	26%	<b>F</b>
Council has diversified it's investment strategy to include more ethical investment products in the portfolio which has contributed to better returns from the investments.					
Other revenues	24,484	27,009	2,525	10%	<b>F</b>
Higher lease revenue driven by property and assets due diligence, higher than anticipated advertising revenue and unbudgeted cost recovery of removal of street furniture.					
Operating grants and contributions	10,904	11,731	827	8%	<b>F</b>
Capital grants and contributions	25,907	23,446	(2,461)	(9)%	<b>U</b>
Fair value increment on investment property	–	449	449	∞	<b>F</b>
Joint ventures and associates – net profits	–	144	144	∞	<b>F</b>
<b>EXPENSES</b>					
Employee benefits and on-costs	123,934	119,497	4,437	4%	<b>F</b>
Borrowing costs	1,207	620	587	49%	<b>F</b>
Council had budgeted for a loan for the Ashfield Pool capital project to be secured in FY19 (and the associated borrowing costs with it), this was secured in FY20.					
Materials and contracts	64,415	65,135	(720)	(1)%	<b>U</b>
Depreciation and amortisation	26,129	26,594	(465)	(2)%	<b>U</b>
Other expenses	29,449	34,421	(4,972)	(17)%	<b>U</b>
IT Software costs are budgeted in Materials and Contracts, whilst the actuals are in Other Expenses. This classification difference is the variance to budget.					
Net losses from disposal of assets	(181)	8,282	(8,463)	4,676%	<b>U</b>
In FY19 the Ashfield Pool was demolished (to enable renewal works) and the remaining carrying amount of this asset was disposed.					
Revaluation decrement / impairment of IPP&E	–	–	–	∞	<b>F</b>
<b>STATEMENT OF CASH FLOWS</b>					
Net cash provided from (used in) operating activities	48,982	60,439	11,457	23%	<b>F</b>

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**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 20. Material budget variations (continued)**

\$ '000	2019 <i>Budget</i>	2019 <i>Actual</i>	2019 ----- <i>Variance</i> -----	
In comparison to budget, Council paid less on employee benefits and on-costs during the year. This is the main factor in the favourable variance of cash in operating activities.				
<b>Net cash provided from (used in) investing activities</b>	(47,962)	(45,239)	2,723	(6)% <b>F</b>
<b>Net cash provided from (used in) financing activities</b>	23,411	(4,237)	(27,648)	(118)% <b>U</b>

Council had budgeted for a loan for the Ashfield Pool capital project to be secured in FY19, this was secured in FY20.

**Note 21. Fair Value Measurement**

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

- Investment property
- Infrastructure, property, plant and equipment
- Investments

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).

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**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 21. Fair Value Measurement (continued)**
**(1) Assets and liabilities that have been measured and recognised at fair values**

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
Investments	6(b)	30/06/19	–	1,139	–	1,139
– ‘Held for trading’						
<b>Total financial assets</b>			–	<b>1,139</b>	–	<b>1,139</b>
<b>Investment property</b>						
Investment Property	10	30/06/19	–	28,489	–	28,489
<b>Total investment property</b>			–	<b>28,489</b>	–	<b>28,489</b>
<b>Infrastructure, property, plant and equipment</b>						
Crown Land	9(a)	30/06/16	–	–	97,858	97,858
Operational land		30/06/18	–	396,074	–	396,074
Community land		30/06/16	–	–	166,909	166,909
Land improvements – non-depreciable		30/06/18	–	–	4,259	4,259
Land improvements – depreciable		30/06/18	–	–	83,241	83,241
Car parks – non-depreciable		30/06/18	–	–	3,547	3,547
Car parks – depreciable		30/06/18	–	–	8,138	8,138
Buildings		30/06/19	–	–	245,140	245,140
Roads		30/06/18	–	–	161,787	161,787
Bridges		30/06/18	–	–	11,151	11,151
Footpaths		30/06/18	–	–	83,478	83,478
Kerb and Gutter		30/06/19	–	–	117,619	117,619
Other road assets		30/06/18	–	–	14,758	14,758
Bulk earthworks (non-depreciable)		30/06/18	–	–	512,259	512,259
Sea walls		30/06/18	–	–	26,862	26,862
Wharves		30/06/18	–	–	4,050	4,050
Stormwater drainage		30/06/18	–	–	122,481	122,481
Aquatic Centres		30/06/19	–	–	43,900	43,900
Domestic Waste Vehicles		30/06/18	–	–	2,740	2,740
<b>Total infrastructure, property, plant and equipment</b>			–	<b>396,074</b>	<b>1,710,177</b>	<b>2,106,251</b>

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**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 21. Fair Value Measurement (continued)**

2018	Notes	Fair value measurement hierarchy			Total <sup>1</sup> Restated
		Date of latest valuation	Level 1 Quoted prices in active mks	Level 2 Significant observable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
	6(b)				
Investments					
– ‘Held for trading’	30/06/18	1,156	–	–	1,156
<b>Total financial assets</b>		<b>1,156</b>	<b>–</b>	<b>–</b>	<b>1,156</b>
<b>Investment property</b>					
	10				
Investment Property	30/06/18	–	28,040	–	28,040
<b>Total investment property</b>		<b>–</b>	<b>28,040</b>	<b>–</b>	<b>28,040</b>
<b>Infrastructure, property, plant and equipment</b>					
	9(a)				
Crown Land	30/06/16	–	–	88,336	88,336
Operational land	30/06/18	–	395,312	–	395,312
Community land	30/06/16	–	–	177,258	177,258
Land improvements – non-depreciable	30/06/18	–	–	4,259	4,259
Land improvements – depreciable	30/06/18	–	–	81,187	81,187
Car parks – non-depreciable	30/06/18	–	–	3,547	3,547
Car parks – depreciable	30/06/18	–	–	7,992	7,992
Buildings	30/06/18	–	–	234,234	234,234
Roads	30/06/18	–	–	161,141	161,141
Bridges	30/06/18	–	–	10,755	10,755
Footpaths	30/06/18	–	–	72,905	72,905
Kerb and Gutter	30/06/18	–	–	111,451	111,451
Other road assets	30/06/18	–	–	15,250	15,250
Bulk earthworks (non-depreciable)	30/06/18	–	–	512,259	512,259
Sea walls	30/06/18	–	–	27,250	27,250
Wharves	30/06/18	–	–	4,130	4,130
Stormwater drainage	30/06/18	–	–	120,533	120,533
Aquatic Centres	30/06/18	–	–	54,404	54,404
Domestic Waste Vehicles	30/06/18	–	–	3,124	3,124
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>395,312</b>	<b>1,690,015</b>	<b>2,085,327</b>

(1) The 2018 figures have been restated

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

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

**(2) 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:

**Investment property**

The valuation of Council's investment property was undertaken at 30 June 2019 by Inner West Council, based on the FY18 market value (as valued by Scott Fullerton Valuations Pty Ltd) and increased by the FY19 Consumer Price Index.

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**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 21. Fair Value Measurement (continued)**
**Infrastructure, property, plant and equipment (IPP&E)**
**Buildings -Non-Specialised and Specialised**

Buildings were valued by Scott Fullerton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registered Valuer No. 2144 as at 30 June 2018 using the fair value approach.

This approach estimated the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The buildings were physically inspected and measured as such maximised the use of observable inputs and minimised the use of unobservable inputs. As such these assets were classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

**Community Land**

Valuation of all Council's Community Land and Council managed land were based on the land values provided by the Valuer-General as at 30th June 2016. As these rates were not considered to be observable market evidence they have been classified as Level 3.

**Operational Land**

The valuation of Council's operational land was undertaken as at 30 June 2018 by Scott Fullerton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

Operational has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to

- The land's description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

There has been no change to the valuation process during the reporting period.

**All Other Infrastructure, property, plant and equipment (IPP&E)**

The cost approach has been utilised where the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted on the final determination of fair value. As such these assets are classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

**(3) Fair value measurements using significant unobservable inputs (level 3)**

a. The following tables present the changes in level 3 fair value asset classes.

<b>\$ '000</b>	<b>Level 2 Operational land</b>	<b>Level 3 Remaining assets</b>	<b>Total Restated</b>
<b>2018</b>			
<b>Opening balance</b>	394,069	1,708,874	2,102,943
Transfers from/(to) another asset class	(3,175)	3,175	-
Purchases (GBV)	-	57,619	57,619
Disposals (WDV)	(35,000)	(437)	(35,437)
Depreciation and impairment	-	(24,639)	(24,639)
FV gains – other comprehensive income	39,418	14,469	53,887
FV gains – Income Statement <sup>1</sup>	-	(69,046)	(69,046)
<b>Closing balance</b>	<b>395,312</b>	<b>1,690,015</b>	<b>2,085,327</b>

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**Notes to the Financial Statements**  
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**Note 21. Fair Value Measurement (continued)**

<i>\$ '000</i>	<i>Level 2 Operational land</i>	<i>Level 3 Remaining assets</i>	<i>Total Restated</i>
<b>2019</b>			
<b>Opening balance</b>	395,312	1,690,015	2,085,327
Transfers from/(to) another asset class	827	–	827
Purchases (GBV)	–	38,853	38,853
Disposals (WDV)	(65)	(9,052)	(9,117)
Depreciation and impairment	–	(23,474)	(23,474)
FV gains – other comprehensive income	–	13,835	13,835
<b>Closing balance</b>	<u>396,074</u>	<u>1,710,177</u>	<u>2,106,251</u>

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

**(4) Highest and best use**

All of Council's non-financial assets are considered as being utilised for their highest and best use.

**Inner West Council**
**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 22. Related Party Transactions**
**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.

- Mayor (1)
- Councillors (14)
- General Manager (1)
- Deputy General Managers (3)

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

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>Compensation:</b>		
Short-term benefits	1,812	1,444
Post-employment benefits	86	79
Other long-term benefits	–	158
Termination benefits	107	259
<b>Total</b>	<b>2,005</b>	<b>1,940</b>

**Note 23. Events occurring after the reporting date**

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 24. Statement of developer contributions**

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

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

**Summary of contributions and levies**

\$ '000	as at 30/6/2018			as at 30/6/2019				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	709	60	–	25	(53)	–	741	–
Traffic facilities	1,049	369	–	47	(404)	–	1,061	–
Parking	77	–	–	3	–	–	80	–
Open space	18,824	7,466	–	750	(2,519)	–	24,521	–
Community facilities	2,233	813	–	86	(410)	–	2,722	–
Open space and recreation	11,976	836	–	420	(3,730)	–	9,502	–
Community services and facilities	2,055	231	–	73	(118)	–	2,241	–
Transport and access	7,106	122	–	242	(17)	–	7,453	–
Administration	93	135	–	5	(131)	–	102	–
Plan preparation	855	93	–	30	(78)	–	900	–
<b>S7.11 contributions – under a plan</b>	<b>44,977</b>	<b>10,125</b>	<b>–</b>	<b>1,681</b>	<b>(7,460)</b>	<b>–</b>	<b>49,323</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>4,496</b>	<b>1,377</b>	<b>–</b>	<b>178</b>	<b>(1,939)</b>	<b>–</b>	<b>4,112</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>49,473</b>	<b>11,502</b>	<b>–</b>	<b>1,859</b>	<b>(9,399)</b>	<b>–</b>	<b>53,435</b>	<b>–</b>
S7.4 planning agreements	4,636	5,227	2,840	68	(154)	–	9,777	–
<b>Total contributions</b>	<b>54,109</b>	<b>16,729</b>	<b>2,840</b>	<b>1,927</b>	<b>(9,553)</b>	<b>–</b>	<b>63,212</b>	<b>–</b>

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**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 24. Statement of developer contributions (continued)**

\$ '000	<i>as at 30/6/2018</i>				<i>as at 30/6/2019</i>			
	<i>Opening Balance</i>	<i>Contributions received during the year</i>		<i>Interest earned in year</i>	<i>Expenditure during year</i>	<i>Internal borrowing (to)/from</i>	<i>Held as restricted asset</i>	<i>Cumulative internal borrowings due/(payable)</i>
		<i>Cash</i>	<i>Non-cash</i>					
<b>S7.11 Contributions – under a plan</b>								
<b>CONTRIBUTION PLAN NUMBER 1 - Open Space and Recreation (former Leichhardt)</b>								
Effective 18 January 2005	11,976	836	–	420	(3,730)	–	9,502	–
<b>Total</b>	<b>11,976</b>	<b>836</b>	<b>–</b>	<b>420</b>	<b>(3,730)</b>	<b>–</b>	<b>9,502</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 2 - Community Services and Facilities (former Leichhardt)</b>								
Effective 23 August 2005	2,055	231	–	73	(118)	–	2,241	–
<b>Total</b>	<b>2,055</b>	<b>231</b>	<b>–</b>	<b>73</b>	<b>(118)</b>	<b>–</b>	<b>2,241</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 3 - Transport and Access (former Leichhardt)</b>								
Effective 3 November 1999	7,106	122	–	242	(17)	–	7,453	–
<b>Total</b>	<b>7,106</b>	<b>122</b>	<b>–</b>	<b>242</b>	<b>(17)</b>	<b>–</b>	<b>7,453</b>	<b>–</b>
<b>2004 S94 Developer Contributions Plan (former Marrickville)</b>								
Roads	446	–	–	15	(53)	–	408	–
Traffic facilities	(178)	–	–	–	–	–	(178)	–
Open space	2,502	–	–	84	(686)	–	1,900	–
<b>Total</b>	<b>2,770</b>	<b>–</b>	<b>–</b>	<b>99</b>	<b>(739)</b>	<b>–</b>	<b>2,130</b>	<b>–</b>
<b>2014 S94 Developer Contributions Plan (former Marrickville)</b>								
Traffic facilities	190	242	–	10	(206)	–	236	–
Open space	7,677	5,708	–	347	(1,713)	–	12,019	–
Community facilities	812	711	–	36	(410)	–	1,149	–
Administration	93	135	–	5	(131)	–	102	–
<b>Total</b>	<b>8,772</b>	<b>6,796</b>	<b>–</b>	<b>398</b>	<b>(2,460)</b>	<b>–</b>	<b>13,506</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER (former Ashfield)</b>								
Roads	263	60	–	10	–	–	333	–
Traffic facilities	1,037	127	–	37	(198)	–	1,003	–
Parking	77	–	–	3	–	–	80	–
Open space	8,645	1,758	–	319	(120)	–	10,602	–

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Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 24. Statement of developer contributions (continued)**

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	1,421	102	–	50	–	–	1,573	–
Plan preparation	855	93	–	30	(78)	–	900	–
<b>Total</b>	<b>12,298</b>	<b>2,140</b>	<b>–</b>	<b>449</b>	<b>(396)</b>	<b>–</b>	<b>14,491</b>	<b>–</b>

**S7.12 Levies – under a plan**
**CONTRIBUTION PLAN NUMBER (former Marrickville)**

s94A Levies	2,258	1,089	–	98	(1,055)	–	2,390	–
<b>Total</b>	<b>2,258</b>	<b>1,089</b>	<b>–</b>	<b>98</b>	<b>(1,055)</b>	<b>–</b>	<b>2,390</b>	<b>–</b>

**CONTRIBUTION PLAN NUMBER (former Ashfield)**

Other	2,238	288	–	80	(884)	–	1,722	–
<b>Total</b>	<b>2,238</b>	<b>288</b>	<b>–</b>	<b>80</b>	<b>(884)</b>	<b>–</b>	<b>1,722</b>	<b>–</b>

**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 25(a). Statement of performance measures – consolidated results**

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	Prior periods 2017	Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	1,130	0.46%	3.24%	4.42%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	247,397				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	234,699	86.65%	88.83%	74.64%	>60.00%
Total continuing operating revenue <sup>1</sup>	270,843				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	141,072	3.04x	3.72x	3.29x	>1.50x
Current liabilities less specific purpose liabilities	46,336				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	28,344	5.84x	6.61x	5.21x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4,857				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	7,439	4.50%	3.92%	3.05%	<5.00%
Rates, annual and extra charges collectible	165,170				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	138,928	7.42 mths	8.05 mths	8.60 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	18,713				

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Inner West Council

Financial Statements 2019

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

Note 25(b). Statement of performance measures – consolidated results (graphs)

**1. Operating performance ratio**



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 0.46%

The Operating Performance Ratio remains above the 0.00% set out by the NSW Office of Local Government.

Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

**2. Own source operating revenue ratio**



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 2018/19 result

2018/19 ratio 86.65%

Council continues to retain its Own Source Operating Revenue ratio well above the benchmark of 60%.

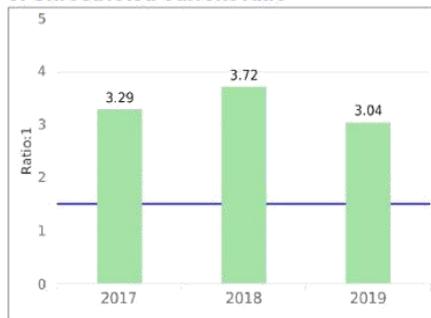
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

**3. Unrestricted current ratio**



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 3.04x

Council has the capacity to meet its obligations after all internal and external restrictions are excluded. Council's Unrestricted Current ratio continues to track above the benchmark of 1.5.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

Ratio is outside benchmark

continued on next page ...

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Attachment 1

**Inner West Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**
**Note 25(b). Statement of performance measures – consolidated results (graphs)**
**4. Debt service cover ratio**

**Purpose of debt service cover ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio **5.84x**

Council's debt service ratio is well above the benchmark indicator of 2 and demonstrates its continued ability to service its loans.

Benchmark: — &gt; 2.00x

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

 Ratio achieves benchmark

 Ratio is outside benchmark

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

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

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

**Commentary on 2018/19 result**

2018/19 ratio **4.50%**

Council actively pursues the recovery of Rates and Extra Charges as shown by the lower than Local Government Benchmark.

Benchmark: — &lt; 5.00%

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

 Ratio achieves benchmark

 Ratio is outside benchmark

**6. Cash expense cover ratio**

**Purpose of cash expense cover ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio **7.42 mths**

Council's Unrestricted Current ratio is above the benchmark of 3.

Benchmark: — &gt; 3.00mths

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

 Ratio achieves benchmark

 Ratio is outside benchmark

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Item 1

Attachment 1

# Inner West Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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**Inner West Council**

Special Schedules 2019

**Special Schedules**  
for the year ended 30 June 2019

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<b>Special Schedules</b>	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	5

## Inner West Council

### Permissible income for general rates for the year ended 30 June 2019

		2019/20 Former Ashfield Council	2019/20 Former Leichhardt Council	2019/20 Former Marrickville Council	2019/20 Inner West Council	2018/19 Former Ashfield Council	2018/19 Former Leichhardt Council	2018/19 Former Marrickville Council	2018/19 Inner West Council
\$ '000									
<b>Notional general income calculation <sup>1</sup></b>									
Last year notional general income yield	a	27,261	43,489	48,100	118,850	24,943	42,490	47,232	114,665
Plus or minus adjustments <sup>2</sup>	b	349	69	113	531	41	(168)	(213)	(340)
<b>Notional general income</b>	c = a + b	<b>27,610</b>	<b>43,558</b>	<b>48,213</b>	<b>119,381</b>	<b>24,984</b>	<b>42,322</b>	<b>47,019</b>	<b>114,325</b>
<b>Permissible income calculation</b>									
Special variation percentage	d	0.00%	0.00%	0.00%		9.30%	0.00%	0.00%	
Or rate peg percentage	e	2.70%	2.70%	2.70%		0.00%	2.30%	2.30%	
Plus special variation amount	h = d x (c + g)	-	-	-	-	2,324	-	-	2,324
Or plus rate peg amount	i = e x (c + g)	745	1,176	1,302	3,223	-	973	1,081	2,054
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>28,355</b>	<b>44,734</b>	<b>49,515</b>	<b>122,604</b>	<b>27,308</b>	<b>43,295</b>	<b>48,100</b>	<b>118,703</b>
Plus (or minus) last year's carry forward total	l	53	(144)	41	(50)	1	25	41	67
Less valuation objections claimed in the previous year	m	(7)	(48)	-	(55)	-	(23)	-	(23)
<b>Sub-total</b>	n = (l + m)	<b>46</b>	<b>(192)</b>	<b>41</b>	<b>(105)</b>	<b>1</b>	<b>2</b>	<b>41</b>	<b>44</b>
<b>Total permissible income</b>	o = k + n	<b>28,401</b>	<b>44,542</b>	<b>49,556</b>	<b>122,499</b>	<b>27,309</b>	<b>43,297</b>	<b>48,141</b>	<b>118,747</b>
Less notional general income yield	p	28,223	44,376	49,510	122,109	27,261	43,489	48,100	118,850
<b>Catch-up or (excess) result</b>	q = o - p	<b>178</b>	<b>166</b>	<b>46</b>	<b>390</b>	<b>48</b>	<b>(192)</b>	<b>41</b>	<b>(103)</b>
Plus income lost due to valuation objections claimed	r	-	-	-	-	7	48	-	55
Less unused catch-up <sup>5</sup>	s	-	-	(40)	(40)	(2)	-	-	(2)
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>178</b>	<b>166</b>	<b>6</b>	<b>350</b>	<b>53</b>	<b>(144)</b>	<b>41</b>	<b>(50)</b>

(1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.

(2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.

(5) 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.

continued on next page ...

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**Inner West Council**

Special Schedules 2019

**Permissible income for general rates (continued)  
for the year ended 30 June 2019**

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<sup>(6)</sup> Carry forward amounts which are in excess (an amount that exceeds the permissible income) 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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

## Inner West Council

### Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost				Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard <sup>1</sup>	to bring to the agreed level of service set by Council <sup>2</sup>	2018/19 Required maintenance <sup>3</sup>	2018/19 Actual maintenance <sup>4</sup>			1	2	3	4	5
<b>(a) Report on Infrastructure Assets - Values</b>												
<b>Buildings</b>	Buildings	24,954	24,954	10,900	9,901	245,140	337,613	38.7%	33.2%	20.7%	6.9%	0.5%
	<b>Sub-total</b>	<b>24,954</b>	<b>24,954</b>	<b>10,900</b>	<b>9,901</b>	<b>245,140</b>	<b>337,613</b>	<b>38.7%</b>	<b>33.2%</b>	<b>20.7%</b>	<b>6.9%</b>	<b>0.5%</b>
<b>Roads</b>	Roads	65,569	65,569	17,838	17,531	130,666	282,956	14.0%	39.1%	23.7%	13.2%	10.0%
	Traffic Devices	62	62	-	-	31,141	39,614	42.1%	43.7%	14.1%	0.1%	0.0%
	Bridges	765	765	-	-	11,151	15,995	18.7%	55.9%	20.6%	4.1%	0.7%
	Footpaths	4,169	4,169	1,424	2,042	83,474	119,560	25.8%	41.7%	29.0%	3.2%	0.3%
	Other road assets	656	656	939	985	14,758	21,649	22.6%	56.0%	18.4%	3.0%	0.0%
	Bulk earthworks	-	-	-	-	512,259	512,259	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb and gutter	29,866	29,866	-	-	117,619	194,584	3.5%	44.6%	36.6%	13.4%	1.9%
	Car parks - Depreciable	2,040	2,040	-	-	8,138	11,193	48.9%	28.5%	4.3%	13.7%	4.6%
	Car Parks -Non Depreciable	-	-	-	-	3,547	3,547	100.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>103,127</b>	<b>103,127</b>	<b>20,201</b>	<b>20,558</b>	<b>912,753</b>	<b>1,201,357</b>	<b>51.9%</b>	<b>24.0%</b>	<b>15.5%</b>	<b>5.8%</b>	<b>2.8%</b>
<b>Stormwater drainage</b>	Stormwater drainage	8,079	8,079	1,764	1,387	122,478	177,630	7.8%	70.2%	17.4%	4.0%	0.6%
	<b>Sub-total</b>	<b>8,079</b>	<b>8,079</b>	<b>1,764</b>	<b>1,387</b>	<b>122,478</b>	<b>177,630</b>	<b>7.8%</b>	<b>70.2%</b>	<b>17.4%</b>	<b>4.0%</b>	<b>0.6%</b>
<b>Open space / recreational assets</b>	Swimming pools	665	665	2,043	2,043	43,900	55,121	87.0%	10.7%	1.3%	0.9%	0.1%
	<b>Sub-total</b>	<b>665</b>	<b>665</b>	<b>2,043</b>	<b>2,043</b>	<b>43,900</b>	<b>55,121</b>	<b>87.0%</b>	<b>10.7%</b>	<b>1.3%</b>	<b>0.9%</b>	<b>0.1%</b>
<b>Other infrastructure assets</b>	Seawalls	817	817	21	9	26,863	37,423	22.6%	53.7%	21.6%	1.0%	1.1%
	Wharves	880	880	-	-	4,049	6,308	17.8%	45.4%	22.9%	13.9%	0.0%
	Land Improvements - Depreciable	3,700	3,700	8,954	8,954	83,241	114,176	41.7%	37.7%	17.3%	3.0%	0.3%
	Land Improvements - Non Depreciable	-	-	-	-	4,259	4,259	93.2%	0.0%	6.8%	0.0%	0.0%
	<b>Sub-total</b>	<b>5,397</b>	<b>5,397</b>	<b>8,975</b>	<b>8,963</b>	<b>118,412</b>	<b>162,166</b>	<b>37.7%</b>	<b>40.7%</b>	<b>18.2%</b>	<b>2.9%</b>	<b>0.5%</b>
<b>TOTAL - ALL ASSETS</b>		<b>142,222</b>	<b>142,222</b>	<b>43,883</b>	<b>42,852</b>	<b>1,442,683</b>	<b>1,933,887</b>	<b>45.3%</b>	<b>30.9%</b>	<b>16.4%</b>	<b>5.5%</b>	<b>1.9%</b>

(1) "Satisfactory Standard" refers to the estimated cost for the renewal of condition 4&5 assets i.e. the replacement value of condition 4&5 assets.

(2) The agreed service level is the estimated cost for renewal of condition 4&5 assets i.e. the replacement value of condition 4&5 assets.

(3)

continued on next page ...

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**Inner West Council**

Special Schedules 2019

**Report on Infrastructure Assets - Values (continued)**  
as at 30 June 2019

(3) "Required Maintenance" for Roads and Stormwater Drainage is the amount identified for maintenance including related operational costs in Council's budget. For other Infrastructure Assets it is the amount identified for maintenance including related operational costs plus a minor adjustment to the Required Maintenance. For Buildings and Open Space/Recreational Assets it is based on the recalculated 2019/20 requirements.

(4) "Actual Maintenance" is the amount of maintenance and related operational expenditure spent in the current year to maintain Council's assets.

**Infrastructure asset condition assessment 'key'**

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

**Inner West Council**

Special Schedules 2019

**Report on Infrastructure Assets (continued)**

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	Prior periods 2017	Benchmark
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<u>38,853</u>	<b>166.21%</b>	64.09%	168.76%	>=100.00%
Depreciation, amortisation and impairment	<u>23,376</u>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<u>142,222</u>	<b>9.29%</b>	10.27%	10.63%	<2.00%
Net carrying amount of infrastructure assets	<u>1,530,170</u>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<u>42,852</u>	<b>97.65%</b>	78.33%	100.00%	>100.00%
Required asset maintenance	<u>43,883</u>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>142,222</u>	<b>7.35%</b>	3.78%	3.55%	
Gross replacement cost	<u>1,933,887</u>				

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

(1) Excludes Work In Progress (WIP)

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

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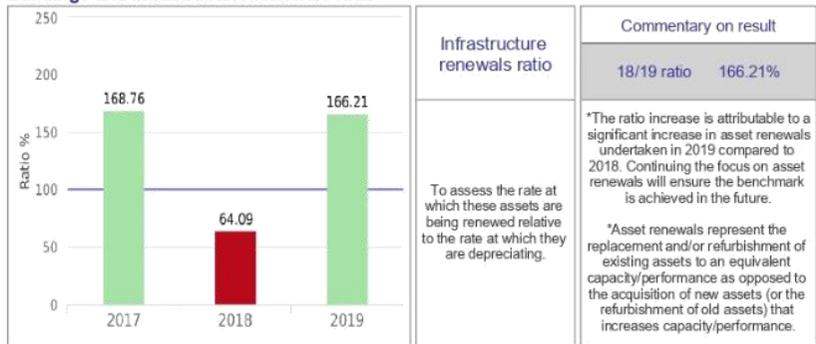
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Inner West Council

Special Schedules 2019

**Report on Infrastructure Assets (continued)**  
as at 30 June 2019

**Buildings and infrastructure renewals ratio <sup>1</sup>**

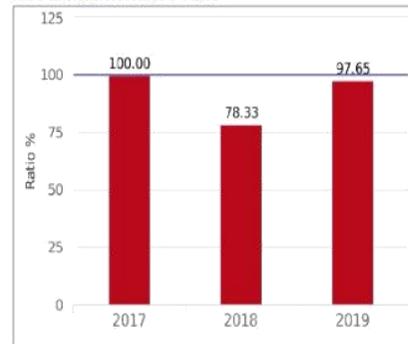


Infrastructure renewals ratio	Commentary on result
	18/19 ratio 166.21%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	*The ratio increase is attributable to a significant increase in asset renewals undertaken in 2019 compared to 2018. Continuing the focus on asset renewals will ensure the benchmark is achieved in the future.
	*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.

Benchmark: —  $\geq 100.00\%$   
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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

**Asset maintenance ratio**

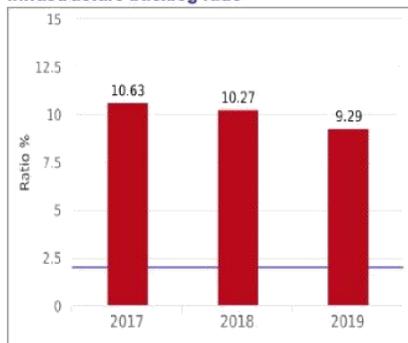


Asset maintenance ratio	Commentary on result
	18/19 ratio 97.65%
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.	The ratio shows that the actual maintenance has increased from last year's figure where the gap to the benchmark has reduced from approximately 22% to 2%.

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

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

**Infrastructure backlog ratio <sup>1</sup>**

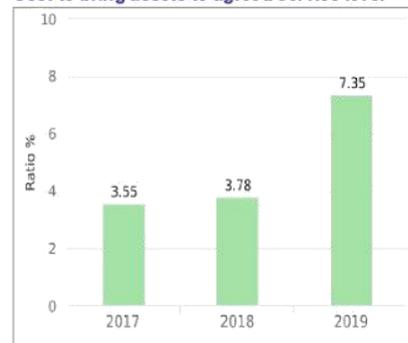


Infrastructure backlog ratio	Commentary on result
	18/19 ratio 9.29%
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	The percentage has decreased by approximately 0.7% compared to 2018. Although the ratio was expected to be lower due to the increase of renewal works undertaken, there are still some anomalies in the asset condition ratings which will have an impact on this ratio. Future asset condition audits will improve the confidence in the asset condition ratings.

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

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

**Cost to bring assets to agreed service level**



Cost to bring assets to agreed service level	Commentary on result
	18/19 ratio 7.35%
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.	Percentage value is consistent with previous years with a slight reduction compare to 2018.

(1) Excludes Work In Progress (WIP)

**Item No:** C1019(3) Item 2  
**Subject:** RFT 28-19 PARK AND VERGE MOWING  
**Prepared By:** Lachlan Broadbent - Assistant Streetscape Supervisor  
**Authorised By:** Cathy Edwards-Davis - Director Infrastructure

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**RECOMMENDATION****THAT:**

1. Council moves into closed session to deal with this matter as the information contained in **CONFIDENTIAL ATTACHMENT 1** of this report is classified as confidential under the provisions of Section 10A (2) (c) and (d) of the Local Government Act 1993 for the following reasons:
  - I. Information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business;
  - II. commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it;
2. And in accordance with Sections 10A (4) of the Local Government Act 1993, that the Chairperson allow members of the public to make representations as to whether this part of the meeting should be closed.
3. Council adopt the recommendation contained in the **CONFIDENTIAL ATTACHMENT 1**.

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**DISCUSSION**

Council invited tenders for Park & Verge mowing of the former Ashfield Local Government Area for a 3-year contract with two further one year options. Following an evaluation of the 13 submissions received, the panel seeks approval of the recommendation contained in the confidential attachment.

A copy of the full tender evaluation report is attached as ATTACHMENT 1.

**ATTACHMENTS**

1. Tender Evaluation Report RFT 28-19 21 October 2019 - *Confidential*