

2016–17

FINANCIAL REPORTS



Randwick City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



Randwick City Council

General Purpose Financial Statements for the year ended 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Randwick City Council.
- (ii) Randwick City Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 13/10/17. Council has the power to amend and reissue these financial statements.
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Randwick City Council

General Purpose Financial Statements
for the year ended 30 June 2017



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

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

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

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

Signed in accordance with a resolution of Council made on 10 October 2017.

Lindsay Shufey
Mayor

Alexandra Luxford
Councillor

Ray Brownlee PSM
General Manager

Mitchel Woods
Responsible Accounting Officer

Randwick City Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Restated Actual 2016
Income from continuing operations				
Revenue:				
106,081	Rates and annual charges	3a	106,955	102,812
17,182	User charges and fees	3b	20,722	19,261
2,190	Interest and investment revenue	3c	2,444	2,290
8,394	Other revenues	3d	10,449	10,559
6,453	Grants and contributions provided for operating purposes	3e,f	10,447	8,590
5,087	Grants and contributions provided for capital purposes	3e,f	5,919	7,415
Other income:				
1,159	Net gains from the disposal of assets	5	–	–
	Net share of interests in joint ventures and associates using the equity method	19	–	–
146,546	Total income from continuing operations		156,936	150,927
Expenses from continuing operations				
59,882	Employee benefits and on-costs	4a	60,427	61,715
	Borrowing costs	4b	–	–
35,124	Materials and contracts	4c	44,313	40,855
22,845	Depreciation and amortisation	4d	23,807	23,002
	Impairment	4d	–	–
15,799	Other expenses	4e	16,598	13,935
	Net losses from the disposal of assets	5	1,889	5,584
	Net share of interests in joint ventures and associates using the equity method	19	–	–
133,650	Total expenses from continuing operations		147,034	145,091
12,896	Operating result from continuing operations		9,902	5,836
Discontinued operations				
	Net profit/(loss) from discontinued operations	24	–	–
12,896	Net operating result for the year		9,902	5,836
7,809	Net operating result for the year before grants and contributions provided for capital purposes		3,983	(1,579)

¹ Original budget as approved by Council – refer Note 16

Randwick City Council

Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Restated Actual 2016
Net operating result for the year (as per Income Statement)		9,902	5,836
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Nil			
Gain (loss) on revaluation of I,PP&E	20b (ii)	8,422	47,620
Adjustment to correct prior period errors		—	—
Total items which will not be reclassified subsequently to the operating result		8,422	47,620
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	—	—
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	—	—
Other movements		—	—
Total items which will be reclassified subsequently to the operating result when specific conditions are met		—	—
Total other comprehensive income for the year		8,422	47,620
Total comprehensive income for the year		18,324	53,456
Total comprehensive income attributable to Council		18,324	53,456
Total comprehensive income attributable to non-controlling interests		—	—

Randwick City Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Restated Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	3,050	1,663
Investments	6b	67,043	65,267
Receivables	7	7,572	6,924
Inventories	8	573	507
Other	8	824	1,316
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		79,062	75,677
Non-current assets			
Investments	6b	–	–
Receivables	7	513	586
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	1,477,870	1,458,457
Investments accounted for using the equity method	19	7	7
Investment property	14	–	–
Intangible assets	25	–	–
Other	8	–	–
Total non-current assets		1,478,390	1,459,050
TOTAL ASSETS		1,557,452	1,534,727
LIABILITIES			
Current liabilities			
Payables	10	18,034	13,735
Income received in advance	10	1,986	2,045
Borrowings	10	–	–
Provisions	10	18,268	18,119
Total current liabilities		38,288	33,899
Non-current liabilities			
Payables	10	260	260
Income received in advance	10	–	–
Borrowings	10	–	–
Provisions	10	214	202
Total non-current liabilities		474	462
TOTAL LIABILITIES		38,762	34,361
Net assets		1,518,690	1,500,366
EQUITY			
Retained earnings	20	796,625	786,723
Revaluation reserves	20	722,065	713,643
Council equity interest		1,518,690	1,500,366
Non-controlling equity interests		–	–
Total equity		1,518,690	1,500,366

This statement should be read in conjunction with the accompanying notes.

Randwick City Council

Statement of Changes in Equity for the year ended 30 June 2017

2017	2016					Restated						
	Retained earnings	Asset revaluation reserve	Other reserves	Council controlling interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve	Other reserves	Council controlling interest	Non-controlling interest	Total equity
\$ '000	Notes	(Refer 20b)	(Refer 20b)	(Refer 20b)	(Refer 20b)	(Refer 20b)	(Refer 20b)	(Refer 20b)	(Refer 20b)	(Refer 20b)	(Refer 20b)	(Refer 20b)
Opening balance												
a. Correction of prior period errors	20 (c)	786,723	713,643	-	1,500,366	-	1,500,366	-	1,500,366	-	1,500,366	-
b. Changes in accounting policies (prior year effects)	20 (d)	-	-	-	-	-	-	-	-	-	-	-
Revised opening balance		786,723	713,643	-	1,500,366	-	1,500,366	-	1,500,366	-	1,500,366	-
c. Net operating result for the year		9,902		9,902		9,902		9,902		9,902		9,902
d. Other comprehensive income												
- Revaluations: IPP&E asset revaluation rsve	20b (ii)		8,422		8,422		8,422		8,422		8,422	
- Revaluations: other reserves	20b (ii)											
- Transfers to Income Statement	20b (ii)											
- Impairment (loss) reversal relating to I,PP&E	20b (ii)											
Other comprehensive income		-	8,422	-	8,422	-	8,422	-	8,422	-	8,422	-
Total comprehensive income (c&d)		9,902	8,422	-	18,324	-	18,324	-	18,324	-	18,324	-
e. Distributions to/(contributions from) non-controlling interests												
f. Transfers between equity												
Equity – balance at end of the reporting period		796,625	722,065	-	1,518,690	-	1,518,690	-	1,518,690	-	1,518,690	-
		786,723	713,643	-	1,500,366	-	1,500,366	-	1,500,366	-	1,500,366	-

This statement should be read in conjunction with the accompanying notes.

Randwick City Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
105,865			106,264	102,706
17,353			22,271	19,999
2,177			2,199	2,562
11,569			16,515	14,089
243			1,151	430
8,102			17,713	16,911
Payments:				
(58,368)			(60,142)	(61,376)
(35,806)			(49,473)	(43,936)
			–	–
			(451)	(341)
(16,192)			(16,350)	(18,647)
			–	–
34,943	Net cash provided (or used in) operating activities	11b	39,697	32,397
Cash flows from investing activities				
Receipts:				
60,100			53,011	57,000
1,167			1,445	1,333
Payments:				
(62,280)			(54,500)	(61,250)
(32,068)			(38,266)	(31,054)
(33,081)	Net cash provided (or used in) investing activities		(38,310)	(33,971)
Cash flows from financing activities				
Nil				
–	Net cash flow provided (used in) financing activities		–	–
1,862	Net increase/(decrease) in cash and cash equivalents		1,387	(1,574)
3,237	Plus: cash and cash equivalents – beginning of year	11a	1,663	3,237
5,099	Cash and cash equivalents – end of the year	11a	3,050	1,663

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Randwick City Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board;
- the *Local Government Act 1993 (NSW)* and Regulations; and
- the NSW Local Government Code of Accounting Practice and Financial Reporting.

Council is a not-for-profit entity for the purpose of preparing these financial statements.

The accrual basis of accounting has been applied in the preparation of these financial statements.

(i) New and amended standards adopted by Council

During the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

This included the first time application during the year of AASB 124 Related Party Disclosures. As a result Council has disclosed information about related parties and transactions with those related parties. This information is presented in Note 28.

The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies, financial position, financial performance or cash flows.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) 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 property, plant and equipment and investment property.

(iv) 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:

(i) Estimated fair values of infrastructure, property, plant and equipment.

(ii) Impairment of Receivables

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

(b) Revenue recognition

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.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is sold.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

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.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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.

(ii) User charges, fees and other income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided or when the penalty has been applied, whichever first occurs.

In respect to 'other income', it is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

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

(iii) Sale of infrastructure, property, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

(iv) Interest

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

(v) Rent

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

(c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

(i) The Consolidated Fund

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

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

- General purpose operations

(ii) The Trust Fund

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

No trust funds are currently held by Council.

(iii) County Councils

Council is not a member of any County Council.

(iv) Interests in other entities

Subsidiaries

Council has no interests in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Note 1. Summary of significant accounting policies

Joint operations

Council has no interests in any Joint operations.

Joint ventures/associates

Interests in joint ventures/associates are accounted for using the equity method in accordance with AASB128 Associates and Joint Ventures. Under this method, the investment is initially recognised as a 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 a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

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

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

(d) Impairment of assets

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

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

(e) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes:

- cash on hand;
- deposits held at call with financial institutions;
- other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(f) Investments and other financial assets

Classification

In accordance with AASB 139, 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.

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

Financial assets at fair value through profit or loss are financial assets "held for trading". A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(ii) Loans and receivables

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

Note 1. Summary of significant accounting policies

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.

(iii) 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. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that are classified as current assets.

(iv) 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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.

Recognition and de-recognition of financial assets

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.

Financial assets 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.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

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. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Note 1. Summary of significant accounting policies

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible 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.

Investment Policy

Council has an approved Investment Policy complying with Section 625 of the *Local Government Act 1993 (NSW)* and Clause 212 of the *Local Government (General) Regulation 2005 (NSW)*.

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council reviews its Investment Policy on an annual basis. The current Investment Policy was adopted at the Administration and Finance Committee Meeting held Tuesday 6th December 2016.

(g) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Inventories

(i) 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.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on 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.

(ii) Inventory held for distribution

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

Note 1. Summary of significant accounting policies

(i) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the NSW Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised

Internally valued:

- Roads assets including roads and footpaths
- Stormwater drainage
- Swimming pools
- Other open space/recreational assets

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following:

Land

Council land	100%
Open space	100%
Land under roads (acquired post 30/6/08)	100%

Plant and equipment

Office furniture	>\$5,000
Office equipment	>\$2,000
Other plant and equipment	>\$2,000

Buildings and land improvements

Park furniture and equipment	>\$25,000
Buildings	
- Construction/extensions	100%
- Renovations	>\$125,000
Other structures	>\$25,000

Stormwater assets

Drains and culverts	>\$10,000
Other	>\$10,000

Transport assets

Road construction and reconstruction	>\$10,000
Reseal/re-sheet and major repairs	>\$10,000
Bridge construction and reconstruction	>\$10,000

Other infrastructure assets

Swimming pools	>\$10,000
Other open space/recreational assets	>\$5,000
Other Infrastructure	>\$10,000

Note 1. Summary of significant accounting policies

Depreciation

Depreciation on assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment

Office equipment	5 to 10 years
Office furniture	10 to 20 years
Computer equipment	5 to 10 years
Vehicles	7 years
Heavy plant and trucks	6 to 10 years
Other plant and equipment	2 to 25 years

Other equipment

Playground equipment	15 years
Benches, seats, etc.	10 to 20 years

Buildings

Buildings: masonry	100 years
Buildings: other	20 to 100 years

Stormwater assets

Pits	100 years
Pipe/conduit	100 to 150 years

Transport assets

Road formation	Infinite
Road pavement	120 years
Road surface	25 years
Kerb and gutter	100 years
Footpaths	25 to 80 years
Road furniture	10 years
Retaining walls	80 years

Open space assets

Ocean pools	100 years
Swimming pool	50 years
Playground equipment	15 years
Irrigation system	6 to 20 years
Park furniture	15 years
Skate park	50 years
Cricket nets	10 years
Turf cricket wicket	15 years
Fencing	20 years
Lighting	20 years
Scoreboards	30 years
Signage and flagpoles	20 years
Water tank	15 to 50 years

Library Assets

Library resources	5 years
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Land

Land is not depreciated

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount - refer to Note 1(d) on asset impairment.

Disposal and recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(j) Land

Land (other than land under roads) is, in accordance with Part 2 of Chapter 6 of the *Local Government Act 1993 (NSW)*, classified as either operational or community. This classification of land is disclosed in Note 9(a).

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 AASB1051.

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

(k) Intangible assets

Council has not classified any assets as intangible.

Note 1. Summary of significant accounting policies

(l) 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.

(m) Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council.

No investment property is held by Council.

(n) 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.

(o) Borrowings

Council has no borrowings and has a standing resolution to remain debt free.

(p) Leases

Council is not party to any finance lease.

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.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(q) 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.

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) 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.

Note 1. Summary of significant accounting policies

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

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

(iii) 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.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, 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.

Council is party to an industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme - Pool B'. This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA on 2nd December 2016 and covers the period ended 30/06/2016.

The position is monitored annually and the actuary has estimated that as at 30th June 2017 the prior period deficit still exists and the additional contributions will remain in place until 30 June 2020.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of the superannuation expenses at Note 4(a) for the year ending 30 June 2017 was \$1,284,090.

The amount of the additional contributions included in the total employer contribution advised above is \$639,858.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$1,331,938.82 as at 30th June 2017.

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 these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

Defined Contribution 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.

(s) Self-insurance

Council does not self-insure.

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

(t) Goods and Services Tax (GST)

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

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

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

(u) New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

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

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*
- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*
- AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

Effective for annual reporting periods beginning on or after 13 February 2017

- AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle*

Effective for annual reporting periods beginning on or after 13 December 2017

- AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

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

- AASB 9 *Financial Instruments (December 2009)*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* AASB 1057 *Application of Australian Accounting Standards*
- AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

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

- AASB 16 *Leases*
- AASB 16 *Leases (Appendix D)*
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

Note 1. Summary of significant accounting policies

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(v) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(w) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(x) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Randwick City Council

Notes to the Financial Statements
for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).													
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)		
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Restated Actual 2016	Original budget 2017	Actual 2017	Restated Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Restated Actual 2016
City Services	50,383	52,410	51,476	104,713	114,708	113,653	(54,330)	(62,298)	(62,177)	2,974	3,306	1,407,969	1,392,651	
City Planning	12,278	16,212	14,478	24,925	27,450	25,428	(12,647)	(11,238)	(10,950)	659	649	936	922	
Governance & Financial Services	8,188	9,551	11,153	99	316	486	8,089	9,235	10,667			137,594	132,891	
Office of the General Manager		98	99		663	1,386	-	(565)	(1,287)			8,837	7,823	
Governance			-	3,913	3,897	4,138	(3,913)	(3,897)	(4,138)				433	
Total functions and activities	70,849	78,271	77,206	133,650	147,034	145,091	(62,801)	(68,763)	(67,885)	3,633	3,955	1,557,445	1,534,720	
Share of gains/(losses) in associates and joint ventures (using the equity method)												7	7	
General purpose income ¹	75,697	78,665	73,721				75,697	78,665	73,721	6,267	4,290		-	
Operating result from continuing operations	146,546	156,936	150,927	133,650	147,034	145,091	12,896	9,902	5,836	9,900	8,245	1,557,452	1,534,727	

1. Includes: rates and annual charges (incl. ex-gratia), united general purpose grants and unrestricted interest and investment income.

Randwick City Council

Notes to the Financial Statements for the year ended 30 June 2017

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:

CITY SERVICES

Management, technical and professional advice on all engineering matters, design, estimate and set-out of all engineering works, traffic committee, works depot, nursery and plant management.

Ancillary/administrative services - clerical, secretarial, survey, SES, plans of management for open space land, libraries, Des Renford Aquatic Centre and waste management,

Construction of the City's public parks and recreational facilities, cleaning service for all parks, beaches, pools and other recreational facilities under Council's control, maintenance services for all parks, beaches, pools and other recreational facilities under Council's control, professional patrol of all major beaches, community consultation for future planning of parks and beaches, protection and restoration of remnant bushland, preparation of all facilities prior to use and routine and preventative maintenance of buildings.

Construction of roads, drainage, vehicular accesses, kerb and gutter, footpaths, traffic facilities, car parks, street furniture. Routine and preventative maintenance of roads and drainage. Routine maintenance of nature strips, street trees and on-street gardens. Street tree planting. Routine maintenance of street furniture and signage. Stormwater pollution management, construction and maintenance of bus shelters.

CITY PLANNING

Management and operation of Assessment and Building Services, Strategic Planning, Environmental Health and Building Services, Community Programs and Partnerships, Home and Community Care, Events, Inspection Services, Community Centre Management, Moverly Children's Centre, ordinance inspectors, parking patrol and the Environmental Sustaining our City program.

GOVERNANCE and FINANCIAL SERVICES

Corporate Governance, Financial Management, Risk Management, Workplace Health and Safety, Organisationa Staff Services, Insurance Coordination, Stores Management, Contracts, Public Office and Meeting Support, Customer Service Centre, Call Centre and Property Management.

OFFICE OF THE GENERAL MANAGER

Overall Council Management including General Management, Internal Audit, Corporate Improvement, Corporate Information Systems and Communications.

GOVERNANCE

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

Randwick City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		55,916	53,810
Business		14,294	13,553
Total ordinary rates		70,210	67,363
Special rates			
Environmental		4,083	3,939
Total special rates		4,083	3,939
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		31,375	30,224
Stormwater management services		1,126	1,121
Section 611 charges		161	165
Total annual charges		32,662	31,510
TOTAL RATES AND ANNUAL CHARGES		106,955	102,812

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Waste management services (non-domestic)		1,343	1,260
Total user charges		1,343	1,260
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		2,135	2,125
Private works – section 67		–	–
Regulatory/ statutory fees		1,597	1,534
Alignment fees		100	94
Construction zones		674	625
Other		37	42
Total fees and charges – statutory/regulatory		4,543	4,420
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Bus shelter advertising fees		833	448
Cemetery fees		66	32
Child care centre fees		592	583
Community facilities and park hire		1,645	1,066
Enquiries		102	108
Filming permits		143	164
Home maintenance services		52	42
Leaseback fees – Council vehicles		676	647
Leisure centre fees		7,597	7,128
Library		61	60
Maps and codes		–	–
Microfilm prints		181	162
Parking meters		852	914
Parking schemes and traffic management		143	134
Photocopying		63	58
Road and other infrastructure reinstatements		970	1,215
Sale of recycled materials		327	319
Shrub and tree sales		307	301
Other		226	200
Total fees and charges – other		14,836	13,581
TOTAL USER CHARGES AND FEES		20,722	19,261

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		195	190
– Interest earned on investments (interest and coupon payment income)		1,959	2,271
– Interest (other)		3	5
Dividend income		–	–
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		287	(176)
– Fair valuation movements in cash equivalents – unrealised gains/(losses)		–	–
– Fair valuation movements in investments – realised gains/(losses)		–	–
– Fair valuation movements in investments (other)		–	–
TOTAL INTEREST AND INVESTMENT REVENUE		2,444	2,290
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		195	190
General Council cash and investments		1,975	1,839
Restricted investments/funds – external:			
Development contributions			
– Section 94		115	91
– Section 93D affordable housing		37	38
Domestic waste management operations		46	57
Domestic waste management operations - overdue annual charges		57	50
Stormwater management operations - overdue annual charges		1	1
Restricted investments/funds – internal:			
Internally restricted assets		18	24
Total interest and investment revenue recognised		2,444	2,290
(d) Other revenues			
Rental income – other council properties		3,273	2,867
Fines – parking		5,042	5,067
Fines – other		349	299
Legal fees recovery – other		20	66
Commissions and agency fees		55	51
Insurance claim recoveries		355	406
Aquatic centre kiosk and merchandise sales		1,083	990
Merchant service fee recovery		96	151
Carbon refund		–	537
Other		176	125
TOTAL OTHER REVENUE		10,449	10,559

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	4,896	2,915	–	–
Financial assistance – local roads component	914	918	–	–
Pensioners' rates subsidies – general component	457	457	–	–
Total general purpose	6,267	4,290	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	221	230	–	–
Child care	248	273	–	–
Community services	398	361	–	–
Environmental protection	473	410	–	–
Library	361	363	–	–
Parks and beaches	–	–	99	91
Street lighting	381	374	–	–
Traffic route subsidy	–	–	–	–
Transport	1,029	1,252	381	586
Other	18	15	24	–
Total specific purpose	3,129	3,278	504	677
Total grants	9,396	7,568	504	677
Grant revenue is attributable to:				
– Commonwealth funding	7,075	5,415	–	91
– State funding	2,321	2,153	504	586
– Other funding	–	–	–	–
	9,396	7,568	504	677

Randwick City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	–	–
S 94A – fixed development consent levies	–	–	4,165	2,927
S 93d – affordable housing	–	–	787	538
Total developer contributions	–	–	4,952	3,465
	17			
Other contributions:				
Capital dedications	–	–	–	2,700
Community services	–	–	–	–
Disaster recovery	–	–	–	–
Driveways	235	183	182	320
Ex gratia rates	16	15	–	–
Environment protection	–	72	–	–
Insurance incentive contributions	59	87	–	–
Interest free loan for IT devices	67	95	–	–
Parks and beaches	73	53	–	–
Paid parental leave scheme	85	45	–	–
Roads and bridges	–	–	–	–
RMS contributions (regional roads, block grant)	465	415	257	253
Other	51	57	24	–
Total other contributions	1,051	1,022	463	3,273
Total contributions	1,051	1,022	5,415	6,738
TOTAL GRANTS AND CONTRIBUTIONS	10,447	8,590	5,919	7,415

Randwick City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	10,544	14,020
Add: grants and contributions recognised in the current period but not yet spent:	5,208	5,500
Less: grants and contributions recognised in a previous reporting period now spent	(8,631)	(8,976)
Net increase (decrease) in restricted assets during the period	(3,423)	(3,476)
Unexpended and held as restricted assets	7,121	10,544
Comprising:		
– Specific purpose unexpended grants	555	1,665
– Developer contributions	6,566	8,879
– Other contributions	–	–
	7,121	10,544

Randwick City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		48,569	47,909
Employee termination costs (where material – other than vested leave paid)		–	263
Travel expenses		74	76
Employee leave entitlements (ELE)		4,746	6,197
Superannuation – defined contribution plans		3,874	3,821
Superannuation – defined benefit plans		1,284	1,160
Workers' compensation insurance		544	816
Fringe benefit tax (FBT)		364	425
Training costs (other than salaries and wages)		488	649
Other		497	406
Total employee costs		60,440	61,722
Less: capitalised costs		(13)	(7)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>60,427</u>	<u>61,715</u>
Number of 'full-time equivalent' employees (FTE) at year end		501	523

(b) Borrowing costs

Nil

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		7,388	7,302
Contractor and consultancy costs		–	–
– Garbage and recycling contracts		16,903	16,973
– IT Managed Service Provider		–	–
– Other contractor and consultancy costs		17,860	15,058
Auditors remuneration ⁽¹⁾		77	62
Infringement notice contract costs (SEINS)		676	719
Legal expenses:			
– Legal expenses: planning and development		1,232	135
– Legal expenses: other		177	606
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		–	–
Total materials and contracts		44,313	40,855
Less: capitalised costs		–	–
TOTAL MATERIALS AND CONTRACTS		44,313	40,855
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
Remuneration for audit and other assurance services		–	–
(ii) Other non-assurance services			
Remuneration for other services		–	–
Total Auditor-General remuneration		–	–
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		75	62
– Audit of regulatory returns		2	–
Remuneration for audit and other assurance services		77	62
(ii) Taxation services			
Remuneration for taxation services		–	–
(iii) Other non-assurance services			
Remuneration for other services		–	–
Total remuneration of other Council's Auditors		77	62
Total Auditor remuneration		77	62

Randwick City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		3,234	3,320
Office equipment		1,483	1,238
Furniture and fittings		290	261
Land improvements (depreciable)		277	274
Infrastructure:			
– Buildings – non-specialised		1,584	1,546
– Buildings – specialised		1,935	1,856
– Roads		8,945	8,617
– Footpaths		1,506	1,437
– Stormwater drainage		2,356	2,351
– Swimming pools		51	50
– Other open space/recreational assets		1,850	1,729
Other assets			
– Heritage collections		–	–
– Library books		296	323
Total gross depreciation and amortisation costs		23,807	23,002
Less: capitalised costs		–	–
Less: IPP&E impairments (to)/from equity	9a	–	–
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>23,807</u>	<u>23,002</u>

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Animal pest control		22	26
Bad and doubtful debts		–	110
Bank charges, investment charges and payments to council collection		417	376
Community events and functions		989	1,115
Contributions/levies to other levels of government		–	–
– Department of planning levy		263	256
– Emergency services levy (includes FRNSW, SES, and RFS levies)		247	227
– NSW fire brigade levy		2,206	2,178
– Light Rail Project		660	–
– Grant funding refund		823	–
– Other contributions/levies		30	85
Councillor expenses – mayoral fee		64	62
Councillor expenses – councillors' fees		360	351
Councillors' expenses (incl. mayor) – other (excluding fees above)		121	108
Donations, contributions and assistance to other organisations (Section 356)		1,025	565
Election expenses		4	–
Electricity and heating		1,034	933
Fair value decrements – I,PP&E	9(a)	513	–
Insurance		2,503	2,473
Street lighting		2,290	2,308
Subscriptions and publications		397	336
Telephone and communications		1,245	989
Valuation fees		161	159
Vehicle registration fees		225	214
Water and sewerage		561	472
Microfilming and scanning		–	–
Other		438	592
Total other expenses		16,598	13,935
Less: capitalised costs		–	–
TOTAL OTHER EXPENSES		16,598	13,935

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	<i>Restated</i> Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets sold/written off		–	–
Net gain/(loss) on disposal		–	–
Plant and equipment			
Proceeds from disposal – plant and equipment		1,426	1,270
Less: carrying amount of plant and equipment assets sold/written off		(1,156)	(1,182)
Net gain/(loss) on disposal		270	88
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(2,159)	(5,672)
Net gain/(loss) on disposal		(2,159)	(5,672)
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		53,011	57,000
Less: carrying amount of financial assets sold/redeemed/matured		(53,011)	(57,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,889)	(5,584)

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		191	–	228	–
Cash-equivalent assets					
– Deposits at call		2,859	–	1,435	–
– Managed funds		–	–	–	–
– Short-term deposits		–	–	–	–
Total cash and cash equivalents		3,050	–	1,663	–
Investments (Note 6b)					
– Long term deposits		36,500	–	35,000	–
– NCD's, FRN's (with maturities > 3 months)		30,543	–	30,267	–
– Other long term financial assets		–	–	–	–
Total investments		67,043	–	65,267	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		70,093	–	66,930	–

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'		3,050	–	1,663	–
--	--	--------------	----------	--------------	----------

Investments

a. 'At fair value through the profit and loss'					
– 'Held for trading'	6(b-i)	67,043		65,267	–
b. 'Held to maturity'	6(b-ii)	–	–	–	–
Investments		67,043	–	65,267	–

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	70,093	–	66,930	–
attributable to:				
External restrictions (refer below)	18,299	–	20,641	–
Internal restrictions (refer below)	49,466	–	45,086	–
Unrestricted	2,328	–	1,203	–
	70,093	–	66,930	–

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(D)	8,879	5,104	(7,417)	6,566
Specific purpose unexpended grants	(F)	1,665	–	(1,110)	555
Domestic waste management	(G)	6,032	31,810	(31,490)	6,352
Stormwater management	(G)	1,512	962	(998)	1,476
Environmental levy		2,553	4,192	(3,395)	3,350
External restrictions – other		20,641	42,068	(44,410)	18,299
Total external restrictions		20,641	42,068	(44,410)	18,299

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)

G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	2,284	3,147	(3,033)	2,398
Employees leave entitlement	7,082	800		7,882
Carry over works	9,093	4,501	(3,692)	9,902
Deposits, retentions and bonds	2,995	1		2,996
Affordable housing rental scheme	533	191		724
Building levy	9,902	5,525	(6,787)	8,640
Des renford leisure centre	400	312	(221)	491
Election of councillors	420	142		562
Economic development	98			98
GIS and online services	–			–
Information and communication technology	1,353	526	(1,173)	706
Infrastructure reserve	1,482	1,077	(475)	2,084
Insurance claims / risk management	172			172
Land acquisition	260			260
Prince Henry centre	90	47	(74)	63
Property development	1,144			1,144
Randwick environmental park	1,828		(140)	1,688
Randwick literary institute	58	29		87
Town hall and council chambers	417		(417)	–
Light rail support plan	5,475	1,077	(582)	5,970
The Heffron Centre	–	3,680	(81)	3,599
Total internal restrictions	45,086	21,055	(16,675)	49,466
TOTAL RESTRICTIONS	65,727	63,123	(61,085)	67,765

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		2,484	360	1,765	388
Interest and extra charges		178	89	143	90
User charges and fees		1,918	–	2,102	–
Capital debtors (being sale of assets)					
– Other asset sales		–	–	19	–
Accrued revenues					
– Interest on investments		445	–	521	–
– Other income accruals		997	64	1,074	108
Government grants and subsidies		728	–	487	–
Net GST receivable		1,007	–	998	–
Other debtors		–	–	–	–
Total		7,757	513	7,109	586
Less: provision for impairment					
User charges and fees		(185)	–	(185)	–
Total provision for impairment – receivables		(185)	–	(185)	–
<u>TOTAL NET RECEIVABLES</u>		<u>7,572</u>	<u>513</u>	<u>6,924</u>	<u>586</u>
Externally restricted receivables					
Domestic waste management		670	115	457	97
Total external restrictions		670	115	457	97
Internally restricted receivables					
Nil					
Unrestricted receivables		6,902	398	6,467	489
TOTAL NET RECEIVABLES		<u>7,572</u>	<u>513</u>	<u>6,924</u>	<u>586</u>

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Randwick City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		378	–	296	–
Trading stock		195	–	211	–
Total inventories at cost		573	–	507	–
(ii) Inventories at net realisable value (NRV)					
Nil					
Total inventories at net realisable value (NRV)		–	–	–	–
<u>TOTAL INVENTORIES</u>		<u>573</u>	<u>–</u>	<u>507</u>	<u>–</u>
(b) Other assets					
Prepayments		824	–	1,316	–
<u>TOTAL OTHER ASSETS</u>		<u>824</u>	<u>–</u>	<u>1,316</u>	<u>–</u>
Externally restricted assets					
There are no restrictions applicable to the above assets.					
Total unrestricted assets		1,397	–	1,823	–
TOTAL INVENTORIES AND OTHER ASSETS		<u>1,397</u>	<u>–</u>	<u>1,823</u>	<u>–</u>

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Randwick City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class	restated as at 30/6/2016			Asset movements during the reporting period							as at 30/6/2017		
	Gross carrying amount	Accumulated depn and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to P&L	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depn and impairment	Net carrying amount
Plant and equipment	22,949	9,670	13,279		5,471	(1,156)	(3,234)				24,059	9,699	14,360
Office equipment	26,017	16,920	9,097		2,257		(1,483)				28,274	18,403	9,871
Furniture and fittings	7,860	4,997	2,863		186		(290)				8,046	5,287	2,759
Plant and equipment (under finance lease)	–	–	–				–				–	–	–
Land:													
– Operational land	177,554	–	177,554		33					8,422	177,587	–	177,587
– Community land	244,582	–	244,582								253,004	–	253,004
– Land under roads (pre 1/7/08)	–	–	–								–	–	–
– Land under roads (post 30/6/08)	4,074	–	4,074		1		(277)				4,075	–	4,075
Land improvements – depreciable	19,694	6,229	13,465								19,693	6,505	13,188
Infrastructure:													
– Buildings – non-specialised	101,222	43,791	57,431	2,700		(34)	(1,584)				103,779	45,266	58,513
– Buildings – specialised	135,804	55,752	80,052	9,356	1,480	(220)	(1,935)				145,661	56,928	88,733
– Roads	859,025	343,614	515,411	4,780	2,218	(1,464)	(8,945)				862,445	350,445	512,000
– Footpaths	97,422	24,347	73,075	2,596	3,249	(374)	(1,506)				102,697	25,657	77,040
– Stormwater drainage	307,113	114,893	192,220	22	656		(2,356)				307,792	117,250	190,542
– Swimming pools	3,864	2,008	1,856	20			(51)				3,884	2,059	1,825
– Other open space/recreational assets	93,216	23,166	70,050	35	3,231	(67)	(1,850)				96,393	24,994	71,399
Other assets:													
– Heritage collections	2,609	83	2,526	18	7		–		(513)		2,038	–	2,038
– Library books	6,914	5,992	922		310		(296)				7,224	6,288	936
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,109,919	651,462	1,458,457	19,527	19,099	(3,315)	(23,807)	–	(513)	8,422	2,146,651	668,781	1,477,870

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Randwick City Council

Notes to the Financial Statements
for the year ended 30 June 2017

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

\$ '000 Class of asset	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management						
Plant and equipment	3,874	1,871	2,003	4,198	2,160	2,038
Total DWM	3,874	1,871	2,003	4,198	2,160	2,038
TOTAL RESTRICTED I,PP&E	3,874	1,871	2,003	4,198	2,160	2,038

Randwick City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		3,932	–	4,595	–
Goods and services – capital expenditure		2,114	–	1,754	–
Accrued expenses:					
– Salaries and wages		956	–	778	–
– Other expenditure accruals		4,764	–	1,040	–
Security bonds, deposits and retentions		6,268	–	5,568	–
ATO – net GST payable		–	–	–	–
Land acquisition compensation		–	260	–	260
Total payables		18,034	260	13,735	260
Income received in advance					
Payments received in advance		1,986	–	2,045	–
Total income received in advance		1,986	–	2,045	–
Borrowings					
Nil					
Provisions					
Employee benefits:					
Annual leave		4,784	–	4,630	–
Sick leave		1,776	–	1,808	–
Long service leave		11,494	214	11,463	202
Gratuities		161	–	164	–
Other leave		53	–	54	–
Total provisions		18,268	214	18,119	202
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		38,288	474	33,899	462

(i) Liabilities relating to restricted assets

	2017		2016	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	2,852	–	3,158	–
Liabilities relating to externally restricted assets	2,852	–	3,158	–
Total liabilities relating to restricted assets	2,852	–	3,158	–
Total liabilities relating to unrestricted assets	35,436	474	30,741	462
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	38,288	474	33,899	462

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	12,955	13,138
Payables – security bonds, deposits and retentions	4,516	4,076
	17,471	17,214

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Gratuities	164	(3)				161
TOTAL	164	(3)	–	–	–	161

- a. Gratuities represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service. Gratuity accrual is based on years of service up to 30 June 1996. The uncertainty of gratuity is the employee's pay level on termination.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	3,050	1,663
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		3,050	1,663
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		9,902	5,836
Adjust for non-cash items:			
Depreciation and amortisation		23,807	23,002
Net losses/(gains) on disposal of assets		1,889	5,584
Non-cash capital grants and contributions		–	(2,700)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		(287)	176
– Write offs relating to the fair valuation of I,PP&E		513	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(594)	(843)
Increase/(decrease) in provision for doubtful debts		–	110
Decrease/(increase) in inventories		(66)	16
Decrease/(increase) in other assets		492	(470)
Increase/(decrease) in payables		(663)	989
Increase/(decrease) in accrued interest payable		–	–
Increase/(decrease) in other accrued expenses payable		3,902	(1,172)
Increase/(decrease) in other liabilities		641	421
Increase/(decrease) in employee leave entitlements		161	1,448
Increase/(decrease) in other provisions		–	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		39,697	32,397
(c) Non-cash investing and financing activities			
Acquisition of land and building by means of contributions		–	2,700
Total non-cash investing and financing activities		–	2,700
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		400	400
Total financing arrangements		400	400

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

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(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		3,000	4,066
Plant and equipment		356	3,284
Open Space		1,908	1,135
Roads		1,778	1,087
Drainage		641	482
These expenditures are payable as follows:			
Within the next year		7,683	10,054
Total payable		7,683	10,054
Sources for funding of capital commitments:			
Unrestricted general funds		1,084	160
Externally restricted reserves		3,045	5,811
Internally restricted reserves		3,554	4,083
Total sources of funding		7,683	10,054

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

Randwick City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2017	2017	2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>5,585</u>	3.71%	2.91%	2.94%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>150,730</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>140,283</u>	89.55%	89.41%	89.63%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>156,649</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>60,093</u>	3.35x	4.03x	3.52x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>17,965</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>29,905</u>	0.00x	0.00x	0.00x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>–</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>3,111</u>	2.84%	2.27%	2.26%	< 5%
Rates, annual and extra charges collectible	<u>109,536</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>39,550</u>	3.75 mths	3.5 mths	4.7 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>10,535</u>				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Randwick City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>1. Operating performance ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>2.81%</td> </tr> <tr> <td>2015</td> <td>2.94%</td> </tr> <tr> <td>2016</td> <td>2.91%</td> </tr> <tr> <td>2017</td> <td>3.71%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	Year	Ratio %	2014	2.81%	2015	2.94%	2016	2.91%	2017	3.71%	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 3.71%</p> <p>The Operating Performance Ratio of 3.71% is well above the 0.00% benchmark set out by the NSW OLG. Randwick City Council has a history of generating operating surpluses and has produced another healthy surplus for the 2016-17 financial year.</p>
Year	Ratio %											
2014	2.81%											
2015	2.94%											
2016	2.91%											
2017	3.71%											
<p> ■ Ratio achieves benchmark ■ Ratio is outside benchmark </p>												
<p>2. Own source operating revenue ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>90.13%</td> </tr> <tr> <td>2015</td> <td>89.63%</td> </tr> <tr> <td>2016</td> <td>89.41%</td> </tr> <tr> <td>2017</td> <td>89.55%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	Year	Ratio %	2014	90.13%	2015	89.63%	2016	89.41%	2017	89.55%	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 89.55%</p> <p>For Randwick City Council, the degree of reliance on external funding is amongst the lowest of all Councils in NSW.</p>
Year	Ratio %											
2014	90.13%											
2015	89.63%											
2016	89.41%											
2017	89.55%											
<p> ■ Ratio achieves benchmark ■ Ratio is outside benchmark </p>												
<p>3. Unrestricted current ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>3.11</td> </tr> <tr> <td>2015</td> <td>3.52</td> </tr> <tr> <td>2016</td> <td>4.03</td> </tr> <tr> <td>2017</td> <td>3.35</td> </tr> </tbody> </table> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	Year	Ratio (x)	2014	3.11	2015	3.52	2016	4.03	2017	3.35	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 3.35x</p> <p>The 2017 Current Ratio illustrates the adequate capacity Randwick City Council has to meet its short-term obligations. The movement in Council's current assets over the four year period is a result of the programmed approach taken by Council to various large capital works projects across Randwick City.</p>
Year	Ratio (x)											
2014	3.11											
2015	3.52											
2016	4.03											
2017	3.35											
<p> ■ Ratio achieves benchmark ■ Ratio is outside benchmark </p>												

Randwick City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>4. Debt service cover ratio</p> <p>Ratio (x)</p> <p>2014 2015 2016 2017</p>	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 0.00x</p> <p>Randwick City Council continues to be debt free.</p>
<p>Benchmark: — Minimum ≥ 2.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p> Ratio achieves benchmark Ratio is outside benchmark</p>	
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <p>Ratio %</p> <p>2014 2015 2016 2017</p>	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 2.84%</p> <p>An Outstanding Rates and Charges Ratio of 2.84% is well below the industry benchmark of 5% and is one of the lowest of all Councils in NSW. This high conversion of receivables to cash has a positive impact on Council's liquidity.</p>
<p>Benchmark: — Maximum $< 5.00\%$ Source for Benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p> Ratio is within Benchmark Ratio is outside Benchmark</p>	
<p>6. Cash expense cover ratio</p> <p>Ratio (mths)</p> <p>2014 2015 2016 2017</p>	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 3.75 mths</p> <p>The cash balances of Randwick City Council as at 30 June 2017 are at levels that would support the total operations of Council for a period of 3.75 months.</p>
<p>Benchmark: — Minimum ≥ 3.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p> Ratio achieves benchmark Ratio is outside benchmark</p>	

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

Council has not classified any land or buildings as 'investment properties'.

Note 15. 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.

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	3,050	1,663	11,050	1,663
Investments				
– 'Held for trading'	67,043	65,267	59,043	65,267
– 'Designated at fair value on initial recognition'	–	–	–	–
– 'Held to maturity'	–	–	–	–
– 'Loans and receivables'	–	–	–	–
– 'Available for sale'	–	–	–	–
Receivables	8,085	7,510	8,085	7,412
Other financial assets	–	–	–	–
Total financial assets	78,178	74,440	78,178	74,342
Financial liabilities				
Bank overdraft	–	–	–	–
Payables	18,294	13,995	18,221	13,995
Loans/advances	–	–	–	–
Lease liabilities	–	–	–	–
Other financial liabilities	–	–	–	–
Total financial liabilities	18,294	13,995	18,221	13,995

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**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

Council's 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. 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.

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 10% movement in market values	305	305	(305)	(305)
Possible impact of a 1% movement in interest rates	111	111	(111)	(111)
2016				
Possible impact of a 10% movement in market values	303	303	(303)	(303)
Possible impact of a 1% movement in interest rates	17	17	(17)	(17)

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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.

Council makes suitable provision for doubtful receivables as required.

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	73%	0%	70%
Overdue	100%	27%	100%	30%
	100%	100%	100%	100%

	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(ii) Ageing of receivables – value				
Rates and annual charges				
Current	–	4,254	–	3,834
< 1 year overdue	1,461	532	1,197	824
1 – 2 years overdue	624	134	105	224
2 – 5 years overdue	200	55	319	145
> 5 years overdue	559	451	532	515
	2,844	5,426	2,153	5,542

(iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	185	75
+ new provisions recognised during the year		131
– amounts already provided for and written off this year		
– amounts provided for but recovered during the year		(21)
– previous impairment losses reversed		
Balance at the end of the year	185	185

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Bank overdraft	–							–	–
Trade/other payables	6,268	11,953						18,221	16,308
Loans and advances								–	–
Lease liabilities								–	–
Total financial liabilities	6,268	11,953	–	–	–	–	–	18,221	16,308
2016									
Bank overdraft	–	–	–	–	–	–	–	–	–
Trade/other payables	5,568	8,427	–	–	–	–	–	13,995	13,995
Loans and advances	–	–	–	–	–	–	–	–	–
Lease liabilities	–	–	–	–	–	–	–	–	–
Total financial liabilities	5,568	8,427	–	–	–	–	–	13,995	13,995

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 the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	–		–	
Trade/other payables	16,308		13,995	
Loans and advances – fixed interest rate	–		–	
Loans and advances – variable interest rate	–		–	
Lease liabilities	–		–	
	<u>16,308</u>		<u>13,995</u>	

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 28 June 2016.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2017 Budget	2017 Actual	2017 Variance*	-----	-----
REVENUES					
Rates and annual charges	106,081	106,955	874	1%	F
User charges and fees	17,182	20,722	3,540	21%	F
Major contributors to the favourable budget variation included high volume of use and patronage of Councils community facilities including community halls, the Prince Henry Centre, sportsfields, synthetic sportsfields. High numbers of road restorations, building construction and works zones throughout the City were also contributors to the favourable variation. Learnt to Swim School fees and gym memberships at DRLC were also at high levels over the financial year.					
Interest and investment revenue	2,190	2,444	254	12%	F
The favourable budget variation on interest and investment revenue was the result of an unrealised gain on a number of Council investments.					
Other revenues	8,394	10,449	2,055	24%	F
Recoveries from insurance claims were high during the financial year due to the large insurance claims from 'Super Storm' events. Kiosk and merchandise sales at DRLC were higher than budgeted for and revenue from property rental were also high. Revenue from enforcement activity was one of the main contributors to the other revenues favourable budget variation.					
Operating grants and contributions	6,453	10,447	3,994	62%	F
The NSW Grants Commission paid in advance to all NSW the first two instalments of their 2017/18 Financial Assistance Grant allocation. For Randwick City Council this was almost two million dollars. The Roads to Recovery grant was budgeted as capital revenue but was recognised as operating on the income statement.					
Capital grants and contributions	5,087	5,919	832	16%	F
The volume of developer contributions received by Council throughout the financial year were higher than budgeted for resulting in the favourable variance.					
Net gains from disposal of assets	1,159	-	(1,159)	(100%)	U
The annual result includes the movement in written down value of disposed fleet assets. Council does not budget for the net loss or gain made from the disposal of these assets and only has a budget allocation for proceeds received from their sale.					

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	59,882	60,427	(545)	(1%)	U
Materials and contracts	35,124	44,313	(9,189)	(26%)	U
<p>There were three main contributors to the large unfavourable original budget variation in materials and contracts. There were items of operating expenditure which had a capital budget allocation however did not qualify as capital expenditure and were therefore expensed. This was particularly the case in the Information and Communication Technology area. Large amounts expenditure were incurred through the year as a result of significant storm events. This expenditure, where possible, was off set with insurance recoveries with other associated insurance claims yet to be settled. There were also large volumes of transactions contained within material and contracts that had an 'other expenses" budget allocation which resulted in a favourable budget allocation for that expenditure category. Other items which contributors to the unfavourable budget variation included planning and development legal expenses and expenditure relating to grant funded activities which were not originally budgeted for but obtained during the year.</p>					
Depreciation and amortisation	22,845	23,807	(962)	(4%)	U
Other expenses	15,799	16,598	(799)	(5%)	U

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

Cash flows from operating activities	34,943	39,697	4,754	13.6%	F
<p>Taking into account the factors stated previously which produced favourable and unfavourable variations to the original operating budgets resulted in a net favourable result of cash provided from operating activities.</p>					
Cash flows from investing activities	(33,081)	(38,310)	(5,229)	15.8%	U
Cash flows from financing activities	-	-	-	0.0%	F

Randwick City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A levies – under a plan	5,534	4,165	–	115	(7,417)	–	2,397	–
Total S94 revenue under plans	5,534	4,165	–	115	(7,417)	–	2,397	–
S94 not under plans	–	–	–	–	–	–	–	–
S93D Contributions (affordable housing)	3,345	787	–	37	–	–	4,169	–
S64 contributions	–	–	–	–	–	–	–	–
Total contributions	8,879	4,952	–	152	(7,417)	–	6,566	–

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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 participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119. The share of this deficit that can be broadly attributed to Council is estimated to be in order of \$1,331,938 as at 30 June 2017.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

(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.

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.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

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) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

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

(iii) 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.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual	Actual	Actual	Actual
	2017	2016	2017	2016
Joint ventures	-	-	-	-
Associates	-	-	7	7
Total	-	-	7	7

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Summarised financial information for individually immaterial joint ventures

In addition to the joint ventures disclosed individually above, Council has interests in a number of individually immaterial joint ventures and associates that have still been accounted for using the equity method.

(i) Individually immaterial joint ventures

	2017	2016
Aggregate carrying amount of individually immaterial joint ventures	<u>7</u>	<u>7</u>
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations		
Profit/(loss) from discontinued operations		
Other comprehensive income		
Total comprehensive income – individually immaterial joint ventures	<u>-</u>	<u>-</u>

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

Council has no subsidiaries, joint arrangements or associates.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		786,723	780,887
a. Correction of prior period errors	20 (c)	–	–
b. Changes in accounting policies (prior period effects)	20 (d)	–	–
c. Net operating result for the year		9,902	5,836
Balance at end of the reporting period		<u>796,625</u>	<u>786,723</u>

(b) Revaluation reserves

(i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve	722,065	713,643
Total	<u>722,065</u>	<u>713,643</u>

(ii) Reconciliation of movements in reserves:

Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		713,643	666,023
– Revaluations for the year	9(a)	8,422	47,620
– Correction of prior period errors	20(c)	–	–
– Balance at end of year		<u>722,065</u>	<u>713,643</u>

(iii) 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.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this year's financial statements:			
<p>In September 2015 Roads and Maritime Services (RMS) declared the public road areas of the light rail alignment as a Transitway. As a result, Council was no longer the road authority of those roads and did not have control of those road assets. These roads include:</p> <ul style="list-style-type: none"> – High Street (roads, footpaths, and drainage assets) – Wansey Road (roads, footpaths, and drainage assets) – Anzac Parade (footpaths assets) – Alison Road (footpaths assets) – Belmore Road (roads and footpaths assets) – Cuthill Street (roads, footpaths, and drainage assets) <p>The total value of assets disposed amounts to \$5,672k. Consequently, the following line items in 2016 year have been adjusted:</p> <ul style="list-style-type: none"> – Infrastructure, property, plant & equipment (5,672) – Net gain/loss on disposal of assets changed from \$88k gain to \$5,584k loss – Retained earnings has reduced by \$5,672k <p>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.</p> <p>These amounted to the following equity adjustments:</p> <ul style="list-style-type: none"> – Adjustments to closing retained earnings – 30/6/16 (relating to adjustments for the 30/6/16 year end) (5,672) – <p>Total prior period adjustments – prior period errors (5,672) –</p>			

(d) Voluntary changes in accounting policies

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

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

Note 22. 'Held for sale' non-current assets and disposal groups

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is dd/mm/yy.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

Note 24. Discontinued operations

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

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 25. Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

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

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).

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

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Financial assets				
Investments				
– 'Held for trading'		67,043		67,043
Total financial assets	–	67,043	–	67,043
Infrastructure, property, plant and equipment				
Plant & Equipment			14,360	14,360
Office Equipment			9,871	9,871
Furniture & Fittings			2,759	2,759
Operational Land			177,587	177,587
Community Land			253,004	253,004
Land Under Roads			4,075	4,075
Depreciable Land Improvements			13,188	13,188
Buildings - Non Specialised			58,513	58,513
Buildings - Specialised			88,733	88,733
Roads			512,000	512,000
Footpaths			77,040	77,040
Stormwater Drainage			190,542	190,542
Swimming Pools			1,825	1,825
Other Open Space/Recreational Assets			71,399	71,399
Heritage Collections			2,038	2,038
Library Books			936	936
Total infrastructure, property, plant and equipment	–	–	1,477,870	1,477,870

Randwick City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Restated 2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments – 'Held for trading'			65,267		65,267
Total financial assets		–	65,267	–	65,267
Infrastructure, property, plant and equipment					
Plant & Equipment				13,279	13,279
Office Equipment				9,097	9,097
Furniture & Fittings				2,863	2,863
Operational Land				177,554	177,554
Community Land				244,582	244,582
Land Under Roads				4,074	4,074
Depreciable Land Improvements				13,465	13,465
Buildings - Non Specialised				57,431	57,431
Buildings - Specialised				80,052	80,052
Roads				515,411	515,411
Footpaths				73,075	73,075
Stormwater Drainage				192,220	192,220
Swimming Pools				1,856	1,856
Other Open Space/Recreational Assets				70,050	70,050
Heritage Collections				2,526	2,526
Library Books				922	922
Total infrastructure, property, plant and equipment		–	–	1,458,457	1,458,457

Randwick City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

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

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

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

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

Financial assets

At fair value through profit and loss are represented by Floating Rate Notes, Covered Bonds and Term Deposits. Council obtains valuations from its Investment Advisor on a monthly basis and at the end of each accounting period to ensure the financial statements reflect the most up to date valuation. The valuations of Floating Rate Notes are sourced from UBS based on mid-market prices. That is, valuations are marked at the mid-point of the bid and ask prices in the secondary market. This price represents a general market value for the asset. There has been no change to the valuation techniques during the reporting period.

Plant & Equipment, Office Equipment and Furniture & Fittings

The purchase cost of Plant & Equipment, Office Equipment and Furniture & Fittings are taken as their fair value. There has been no change to the valuation techniques during the reporting period.

Operational Land

The valuation of Council's operational land was undertaken at 30 June 2014 by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

Operational land 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.

Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre. Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation techniques during the reporting period

Community Land

Council's community land was valued based on the Land Value (LV) provided by the Valuer-General in 2015. Where the Valuer-General did not provide LV an average unit rate based on the LV for similar community land

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

was used, having regard to the highest and best use for the land. There has been no change to the valuation techniques during the reporting period.

Land Under Roads

Land Under Roads acquired post 1 July 2008 have been valued using the square meter rates of adjacent Community Land having regard to the highest and best use for the land. There has been no change to the valuation techniques during the reporting period.

Buildings - Non specialised and Specialised

Council's buildings were valued utilising the cost approach by Scott Fullarton Valuations Pty Ltd in June 2014. The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation techniques during the reporting period.

Roads

The roads asset class includes roads, defined as the trafficable portion of a road, between but not including the kerb and gutter. It also includes "other roads" assets including Bridges, Carparks, Kerb and Gutter, Traffic facilities and Footpaths.

The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based primarily on unit rates derived from the Councils schedule of rates tender. Other inputs (such as estimates pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Swimming Pools

Assets within this class comprise the Des Renford Leisure Centre Pools and also Councils rockpools. The indoor pool at the aquatic centre was valued by Scott Fullarton in June 2014 using the cost approach, while the outdoor pools at the aquatic centre and rockpools were valued inhouse using the cost approach by experienced Council engineers and asset management staff. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period. There has been no change to the valuation process during the reporting period.

Open Space Assets

Assets within this class comprise Tennis Courts, Synthetic Surfaces, BBQs, Regional Sporting Facilities and Playgrounds. All assets in this class were valued in-house by experienced engineering & asset management staff. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period. There has been no change to the valuation process during the reporting period.

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)

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

	Plant & Equipment	Land	Depreciable Land Improvemt	Total
Opening balance – 1/7/15	25,609	378,590	13,577	417,776
Adoption of AASB 13	–	–	–	–
Transfers from/(to) level 1 FV hierarchy ^{27 4(b)}	–	–	–	–
Transfers from/(to) level 2 FV hierarchy ^{27 4(b)}	–	–	–	–
Transfers from/(to) another asset class	–	–	–	–
Purchases (GBV)	5,631	–	162	5,793
Disposals (WDV)	(1,182)	–	–	(1,182)
Depreciation and impairment	(4,819)	–	(274)	(5,093)
Revaluation Decrements	–	–	–	–
Revaluation Increments	–	47,620	–	47,620
Closing balance – 30/6/16	25,239	426,210	13,465	464,914
Adoption of AASB 13	–	–	–	–
Transfers from/(to) level 1 FV hierarchy ^{27 4(b)}	–	–	–	–
Transfers from/(to) level 2 FV hierarchy ^{27 4(b)}	–	–	–	–
Transfers from/(to) another asset class	–	–	–	–
Purchases (GBV)	7,914	34	–	7,948
Disposals (WDV)	(1,156)	–	–	(1,156)
Depreciation and impairment	(5,007)	–	(277)	(5,284)
Revaluation Decrements	–	–	–	–
Revaluation Increments	–	8,422	–	8,422
Closing balance – 30/6/17	26,990	434,666	13,188	474,844

Randwick City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

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

	Buidlings	Infrastruc- ture	Other Assets	Total
Opening balance – 1/7/15	132,804	852,010	3,357	988,171
Adoption of AASB 13	–	–	–	–
Transfers from/(to) level 1 FV hierarchy 27 4(b)	–	–	–	–
Transfers from/(to) level 2 FV hierarchy 27 4(b)	–	–	–	–
Transfers from/(to) another asset class	–	–	–	–
Purchases (GBV)	8,081	20,458	414	28,953
Disposals (WDV)	–	–	–	–
Depreciation and impairment	(3,402)	(14,184)	(323)	(17,909)
Revaluation Decrements	–	–	–	–
Revaluation Increments	–	–	–	–
Closing balance – 30/6/16	137,483	858,284	3,448	999,215
Adoption of AASB 13	–	–	–	–
Transfers from/(to) level 1 FV hierarchy 27 4(b)	–	–	–	–
Transfers from/(to) level 2 FV hierarchy 27 4(b)	–	–	–	–
Transfers from/(to) another asset class	–	–	–	–
Purchases (GBV)	13,536	16,807	335	30,678
Disposals (WDV)	(254)	(1,905)	–	(2,159)
Depreciation and impairment	(3,519)	(14,708)	(296)	(18,523)
Correction of prior year errors	–	(5,672)	–	(5,672)
Revaluation Decrements	–	–	(513)	(513)
Revaluation Increments	–	–	–	–
Closing balance – 30/6/17	147,246	852,806	2,974	1,003,026

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

There are no transfers identified in the table above.

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Financial assets			
Investments	67,043	Advisor report	* Unit price
I,PP&E			
Plant & Equipment	26,990	Historical cost	* Gross replacement cost * Remaining useful life
Operational Land	177,587	Land values obtained from the NSW Valuer-General	* Price per square metre
Community Land	253,004	Land values obtained from the NSW Valuer-General	* VG value (price per square metre)
Land Under Roads	4,075	Average municipal rate, determined by the NSW Valuer-General, after applying 90% discount to reflect restricted nature of asset	* VG value (price per square metre)
Depreciable Land Improvement	13,188	Cost used to approximate fair value	* Gross replacement cost * Asset condition * Remaining useful life
Buildings	147,246	Cost used to approximate fair value	* Gross replacement cost * Asset condition * Remaining useful life
Roads & Footpath	589,040	Unit rates per m2 or length	* Gross replacement cost * Asset condition * Remaining useful life

Randwick City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

Stormwater Drainage	190,542	Unit rates per m2 or length	* Gross replacement cost * Asset condition * Remaining useful life
Swimming Pools	1,825	Cost used to approximate fair value	* Gross replacement cost * Asset condition * Remaining useful life
Other Open Space/ Recreational Assets	71,399	Cost used to approximate fair value	* Gross replacement cost * Asset condition * Remaining useful life
Library Books	936	Cost used to approximate fair value	* Gross replacement cost * Remaining useful life
Heritage Collections	2,038	Cost used and market values used to approximate fair value	* Gross replacement cost (monuments) * Market value (fine arts)

(5). Highest and best use

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

Randwick City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

	Actual 2017
Compensation:	
Short-term benefits	1,532
Post-employment benefits	191
Total	<u>1,723</u>

b. Other transactions with KMP and their related parties

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

c. Other related party transactions

Council does not have any other related party transactions.

Randwick City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 29. Council information and contact details

Principal place of business:

30 Frances Street
Randwick NSW 2031

Contact details

Mailing address:

30 Frances Street
Randwick NSW 2031

Opening hours:

Mon to Fri
8:30am to 5.00pm

Telephone: [REDACTED]

Facsimile: [REDACTED]

Internet: www.randwick.nsw.gov.au

Email: [REDACTED]

Officers

GENERAL MANAGER

Ray Brownlee PSM

RESPONSIBLE ACCOUNTING OFFICER

Mitchel Woods

PUBLIC OFFICER

David Kelly

AUDITOR

Auditor General
The Audit Office of New South Wales
Level 15, 1 Margaret Street, Sydney
GPO Box 12, Sydney, NSW 2001

Other information

ABN: [REDACTED]

Elected members

MAYOR

Lindsay Shurey

COUNCILLORS

Councillor Alexandra Luxford (Deputy Mayor)
Councillor Anthony Andrews
Councillor Brendan Roberts
Councillor Christie Hamilton
Councillor Dylan Parker
Councillor Danny Said
Councillor Murray Matson
Councillor Kathy Neilson
Councillor Noel D'Souza
Councillor Carlos Da Rocha
Councillor Philipa Veitch
Councillor Ted Seng
Councillor Tony Bowen
Councillor Harry Stavrinou



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Randwick City Council

To the Councillors of the Randwick City Council

Opinion

I have audited the accompanying financial statements of Randwick City Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 12 August 2016.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Director, Financial Audit Services

13 October 2017
SYDNEY

Cr Lindsay Shurey
Mayor
Randwick City Council
30 Frances Street
RANDWICK NSW 2031

Contact: [REDACTED]
Phone no: [REDACTED]
Our ref: [REDACTED]

13 October 2017

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Randwick City Council**

I have audited the general purpose financial statements of Randwick City Council (the Council) for the year ended 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

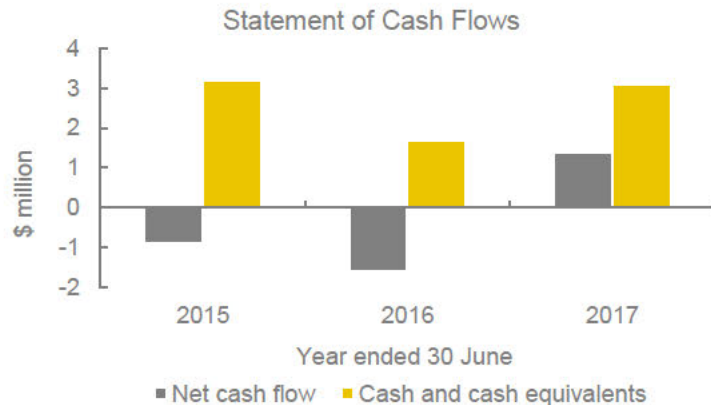
	2017	2016	Variance
	\$m	\$m	%
Rates and annual charges revenue	106.9	102.8	4.0 ↑
Grants and contributions revenue	16.4	16.0	2.3 ↑
Operating result for the year	9.9	5.8	69.7 ↑
Net operating result before capital amounts	4.0	(1.6)	352.3 ↑

The operating result for the year is a surplus of \$9.9 million (2016: \$5.8 million) including the effect of depreciation expense of \$23.8 million (2016: \$23.0 million). Net operating result before capital improved by \$5.6 million, mainly due to the following:

- rates and annual charges represent 71 percent of Council’s total revenues which increased by 4 percent from the previous year, consistent with the special variation granted of 3.59 percent
- derecognition of the infrastructure assets relating to the Light Rail Transitway (\$5.7 million) was a significant one-off transaction recorded in 2015-16 which contributed to the negative operating results before capital in 2015-16.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$1.4 million to \$3.1 million at the close of the year.



In addition to operating activities which contributed net cash inflow of \$39.7 million (2016: \$32.4 million), there were proceeds from the sale of assets (\$1.4 million) and the disposal of investments securities (\$53 million). Cash outflows from operating activities were used to acquire investment securities (\$54.5 million) and construct assets (\$38.3 million).

FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	18.3	20.6	<ul style="list-style-type: none"> ○ Cash and investments amounts to \$70.1 million at 30 June 2017 (2016: \$66.9 million). ○ The increase is mainly due to setting aside \$3.6 million for the Heffron Centre.
Internal restrictions	49.5	45.1	
Unrestricted	2.3	1.2	
Cash and investments	70.1	66.9	

Externally restricted cash and investments are restricted in their use by externally imposed requirements. These include unspent development contributions, specific purpose grants and contributions, domestic waste and stormwater management charges and environmental levies.

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans and identified programs of works. These aggregate to \$49.5 million and their purpose is fully disclosed in Note 6 of the financial statements.

The Council’s unrestricted cash and investments amounted to \$2.3 million, which is available to provide liquidity for day to day operations.

Debt

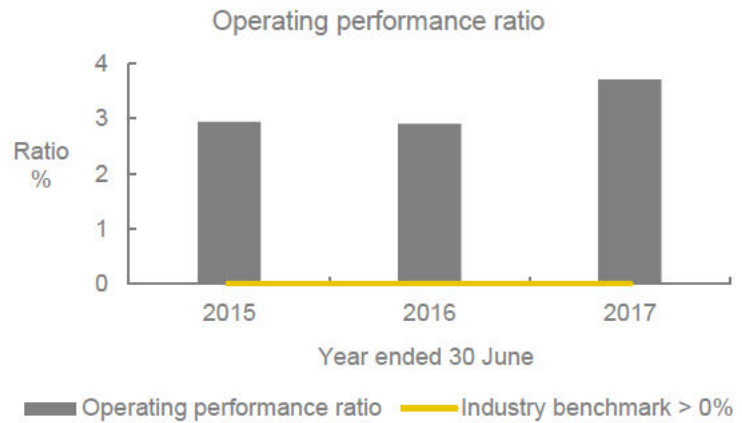
Council has been debt free since 2001.

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

Operating performance ratio

- Council's operating performance ratio of 3.71 per cent reflects a surplus in operating revenues over operating expenses and exceeded the OLG benchmark of greater than zero per cent.
- This was driven by increases in rates, operating grants and user charges in conjunction with relatively stable operating expenses.
- Council's operating performance ratio has increased over the last three years as increases in revenue outdriven costs.

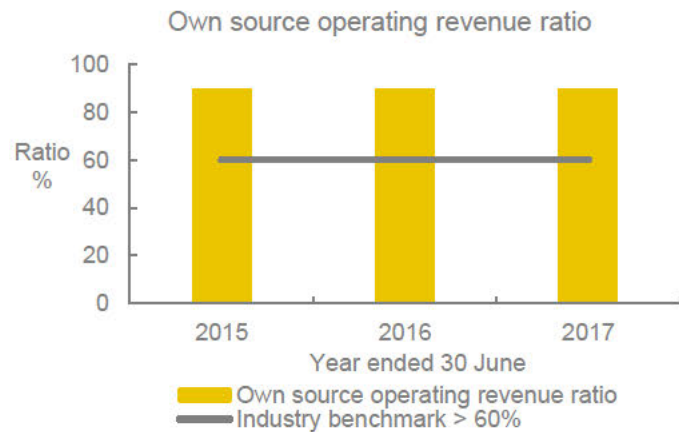


The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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

Own source operating revenue ratio

- Council's own source operating revenue ratio of 89.6 per cent reflects a low level of reliance on externally sourced grant revenue and exceeded the OLG benchmark of greater than 60 per cent.
- The ratio has remained relatively stable significantly above the benchmark of 60 per cent over the last 3 years.

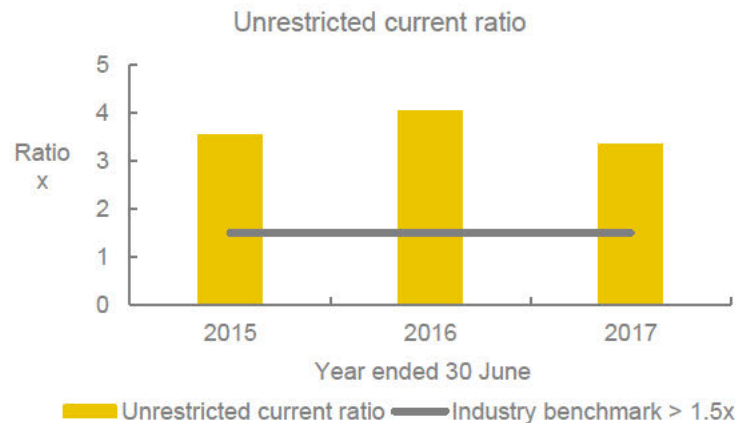
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

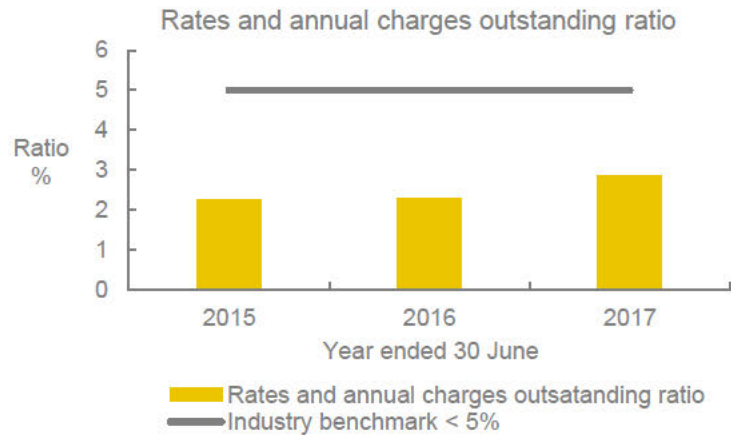
- This ratio indicates that Council currently has \$3.35 of unrestricted assets available to service every \$1.00 of its unrestricted current liabilities. This reflects a sizable operating buffer for use in Council's operations and exceeded the OLG benchmark of greater than 1.5 times.
- This ratio reflects Council's historical operating surpluses and an adequate build-up of cash and other investment securities.
- The ratio has remained relatively stable above the benchmark of 1.5 times over the last three years.
- The unrestricted current ratio includes adjustments for assets held by Council, but restricted in use to a specific purpose.

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



Rates and annual charges outstanding ratio

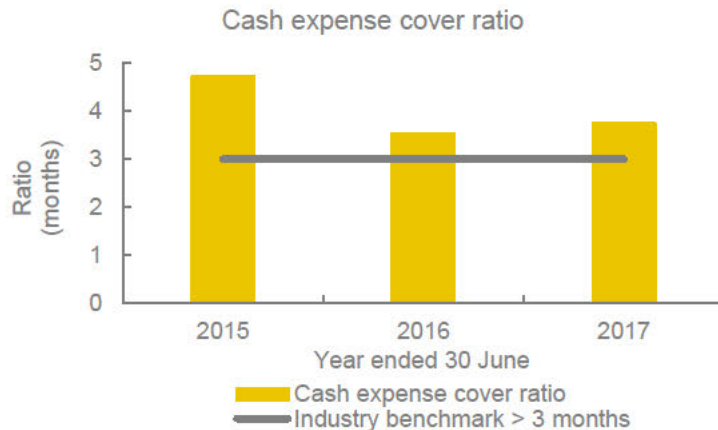
- Council's rates and annual charges outstanding ratio of 2.84 per cent exceeded the OLG benchmark of less than 5 per cent, despite an increase of arrears from \$2.4 million to \$3.1 million.
- This was driven by the strong economic environment in the local government area.
- The ratio has remained fairly consistent over the past three years.



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

Cash expense cover ratio

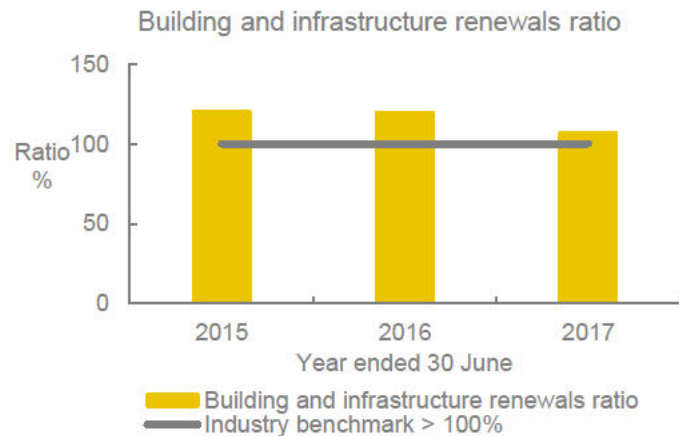
- Council's cash expense cover ratio of 3.75 months exceeded the OLG benchmark of greater than three months.
- This reflects the adequate balance of cash and investment securities.
- Council's cash expense cover ratio has slightly reduced over the past three years, reflecting increase in ongoing operating and financing activities.



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

Building and infrastructure renewals ratio

- Council's building and infrastructure renewals ratio of 107 per cent exceeded OLG benchmark of greater than 100 per cent.
- This reflected adequate capital investment in asset renewals in respect infrastructure assets.
- Council's building and infrastructure renewals ratio has slightly declined since 2015 as a result of lower capital outlays.



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

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

OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016g

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Asset Revaluations

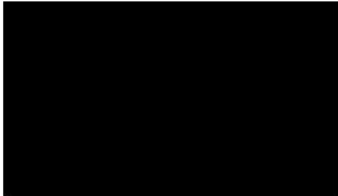
Council's infrastructure, property, plant and equipment are required to be carried at fair value with revaluations of each asset class to be performed at least every five years.


During the year, community land and heritage collections were revalued. This resulted in a net increase of \$8.4 million in the Asset Revaluation Reserves and a decrement of \$0.5 million in the Income Statement respectively.

Legislative compliance

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

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




Director, Financial Audit Services

13 October 2017
SYDNEY

cc: Mr Ray Brownlee, General Manager
Mr Jeremy Bingham, Chair of the Internal Audit Committee
Tim Hurst, Acting Chief Executive of the Office of Local Government

Randwick City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



Randwick City Council

Special Purpose Financial Statements for the year ended 30 June 2017

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Other Business Activities	3
Statement of Financial Position – Other Business Activities	6
3. Notes to the Special Purpose Financial Statements	10
4. Auditor’s Report	

Background

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

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

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

Randwick City Council



Special Purpose Financial Statements for the year ended 30 June 2017

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

Signed in accordance with a resolution of Council made on 10 October 2017.

Lindsay Shurey
Mayor

Alexandra Luxford
Councillor

Ray Brownlee PSM
General Manager

Mitchel Woods
Responsible Accounting Officer

Randwick City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Property Management		Child Care Centre	
	Category 1		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
User charges	5,590	4,924	594	611
Fees	–	–	–	–
Grants and contributions provided for non-capital purposes	–	–	248	273
Other income	–	–	–	–
Total income from continuing operations	5,590	4,924	842	884
Expenses from continuing operations				
Employee benefits and on-costs	208	193	656	674
Materials and contracts	216	217	161	119
Depreciation, amortisation and impairment	3,519	3,402	–	–
Calculated taxation equivalents	928	902	16	15
Other expenses	84	98	383	372
Total expenses from continuing operations	4,955	4,812	1,216	1,180
Surplus (deficit) from continuing operations before capital amounts	635	112	(374)	(296)
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	635	112	(374)	(296)
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	635	112	(374)	(296)
Less: corporate taxation equivalent (30%) [based on result before capital]	(191)	(34)	–	–
SURPLUS (DEFICIT) AFTER TAX	445	78	(374)	(296)
Plus opening retained profits	14,226	13,521	(47)	31
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	928	902	16	15
– Corporate taxation equivalent	191	34	–	–
Add:				
– Subsidy paid/contribution to operations	3,565	(309)	333	203
Less:				
– Dividend paid	–	–	–	–
Closing retained profits	19,354	14,226	(72)	(47)
Return on capital %	0.3%	0.1%	-3740.0%	-2466.7%
Subsidy from Council	3,820	3,802	374	296

Randwick City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Leisure Centre		Community Nursery	
	Category 1		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
User charges	7,597	7,128	177	220
Fees	–	–	–	–
Interest	–	–	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Other income	1,083	990	307	301
Total income from continuing operations	8,680	8,118	484	521
Expenses from continuing operations				
Employee benefits and on-costs	5,278	5,258	355	414
Materials and contracts	1,414	1,298	438	348
Depreciation, amortisation and impairment	66	65	105	64
Calculated taxation equivalents	307	299	–	–
Other expenses	2,139	1,989	112	75
Total expenses from continuing operations	9,204	8,909	1,010	901
Surplus (deficit) from continuing operations before capital amounts	(524)	(791)	(526)	(380)
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	(524)	(791)	(526)	(380)
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	(524)	(791)	(526)	(380)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	–	–
SURPLUS (DEFICIT) AFTER TAX	(524)	(791)	(526)	(380)
Plus opening retained profits	451	583	631	531
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	307	299	–	–
Add:				
– Subsidy paid/contribution to operations	54	360	516	480
Less:				
– Dividend paid	–	–	–	–
Closing retained profits	288	451	621	631
Return on capital %	-33.6%	-50.6%	-99.8%	-79.7%
Subsidy from Council	561	825	539	390

Randwick City Council

Income Statement of Council's Other Business Activities for the year ended 30 June 2017

Trade Waste

Category 2

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
User charges	1,377	1,283
Fees	–	–
Interest	–	–
Grants and contributions provided for non-capital purposes	–	–
Other income	22	22
Total income from continuing operations	1,399	1,305
Expenses from continuing operations		
Employee benefits and on-costs	342	367
Materials and contracts	723	748
Depreciation, amortisation and impairment	–	–
Calculated taxation equivalents	–	–
Other expenses	515	500
Total expenses from continuing operations	1,580	1,615
Surplus (deficit) from continuing operations before capital amounts	(181)	(310)
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	(181)	(310)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	(181)	(310)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(181)	(310)
Plus opening retained profits	47	(80)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
Add:		
– Subsidy paid/contribution to operations	203	437
Less:		
– Dividend paid	–	–
Closing retained profits	69	47
Return on capital %	n/a	n/a
Subsidy from Council	181	310

Randwick City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Property Management		Child Care Centre	
	Category 1		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Receivables	247	98	–	5
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	247	98	–	5
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	187,184	180,355	10	12
Other	–	–	–	–
Total non-current assets	187,184	180,355	10	12
TOTAL ASSETS	187,431	180,453	10	17
LIABILITIES				
Current liabilities				
Payables	–	–	20	18
Income received in advance	–	–	–	–
Borrowings	–	–	–	–
Provisions	85	82	58	46
Total current liabilities	85	82	78	64
Non-current liabilities				
Payables	–	–	–	–
Income received in advance	–	–	–	–
Provisions	–	–	4	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	4	–
TOTAL LIABILITIES	85	82	82	64
NET ASSETS	187,346	180,371	(72)	(47)
EQUITY				
Retained earnings	19,354	14,226	(72)	(47)
Revaluation reserves	167,992	166,145	–	–
Council equity interest	187,346	180,371	(72)	(47)
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	187,346	180,371	(72)	(47)

Randwick City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Leisure Centre		Community Nursery	
	Category 1		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Receivables	21	62	22	49
Inventories	14	11	181	200
Other	–	–	–	–
Total Current Assets	35	73	203	249
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	1,561	1,563	527	477
Other	–	–	–	–
Total non-current assets	1,561	1,563	527	477
TOTAL ASSETS	1,596	1,636	730	726
LIABILITIES				
Current liabilities				
Payables	–	–	–	–
Income received in advance	–	–	–	–
Other	808	753	–	–
Provisions	500	418	109	95
Total current liabilities	1,308	1,171	109	95
Non-current liabilities				
Payables	–	–	–	–
Income received in advance	–	–	–	–
Provisions	–	14	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	14	–	–
TOTAL LIABILITIES	1,308	1,185	109	95
NET ASSETS	288	451	621	631
EQUITY				
Retained earnings	288	451	621	631
Revaluation reserves	–	–	–	–
Council equity interest	288	451	621	631
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	288	451	621	631

Randwick City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Trade Waste	
	Actual 2017	Actual 2016
	Category 2	
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	–	–
Receivables	109	88
Inventories	–	–
Other	–	–
Total Current Assets	109	88
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	–	–
Other	–	–
Total non-current assets	–	–
TOTAL ASSETS	109	88
LIABILITIES		
Current liabilities		
Payables	–	–
Income received in advance	–	–
Provisions	40	41
Total current liabilities	40	41
Non-current liabilities		
Payables	–	–
Income received in advance	–	–
Provisions	–	–
Other Liabilities	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	40	41
NET ASSETS	69	47
EQUITY		
Retained earnings	69	47
Revaluation reserves	–	–
Council equity interest	69	47
Non-controlling equity interest	–	–
TOTAL EQUITY	69	47

Randwick City Council

Special Purpose Financial Statements for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

Randwick City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

a. Property Management

Management of Council owned rental properties

b. Aquatic Centre

Des Renford Leisure Centre

Category 2

(where gross operating turnover is less than \$2 million)

a. Child Care

Moverly Children's Centre

b. Community Nursery

Propagate plants for use by Council and sale to outside Bodies

c. Trade Waste

Collection and disposal of Trade Waste from commercial premises

Monetary amounts

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

(i) Taxation-equivalent charges

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

Randwick City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of 2.0% applies.

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS.

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

Randwick City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statement
Randwick City Council

To the Councillors of the Randwick City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Randwick City Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Property Management
- Child Care Centre
- Leisure Centre
- Community Nursery
- Trade Waste

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statements on 12 August 2016.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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


A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Director, Financial Audit Services

13 October 2017
SYDNEY

Randwick City Council

SPECIAL SCHEDULES
for the year ended 30 June 2017



Randwick City Council

Special Schedules for the year ended 30 June 2017

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Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	n/a
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	n/a
Special Schedule 4	Water Supply – Statement of Financial Position	n/a
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position	n/a
Notes to Special Schedules 3 and 5		n/a
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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Randwick City Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	3,896	–	–	(3,896)
Administration	3,755	1,988	–	(1,767)
Public order and safety				
Fire service levy, fire protection, emergency services	2,608	–	–	(2,608)
Beach control	2,950	8	–	(2,942)
Enforcement of local government regulations	1,724	142	–	(1,582)
Animal control	684	42	–	(642)
Other	684	–	–	(684)
Total public order and safety	8,650	192	–	(8,458)
Health	75	–	–	(75)
Environment				
Noxious plants and insect/vermin control	1,639	26	–	(1,613)
Other environmental protection	4,378	4,111	–	(267)
Solid waste management	30,441	33,854	24	3,437
Street cleaning	4,969	–	–	(4,969)
Drainage	–	–	–	–
Stormwater management	4,982	1,168	–	(3,814)
Total environment	46,409	39,159	24	(7,226)
Community services and education				
Administration and education	635	70	–	(565)
Social protection (welfare)	2,015	134	–	(1,881)
Aged persons and disabled	1,362	751	–	(611)
Children's services	2,582	1,021	–	(1,561)
Total community services and education	6,594	1,976	–	(4,618)
Housing and community amenities				
Public cemeteries	103	66	–	(37)
Public conveniences	2,650	164	–	(2,486)
Street lighting	2,290	451	–	(1,839)
Town planning	8,264	2,936	4,952	(376)
Other community amenities	3,017	14	1	(3,002)
Total housing and community amenities	16,324	3,631	4,953	(7,740)
Water supplies	–	–	–	–
Sewerage services	–	–	–	–

Randwick City Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	8,516	578	–	(7,938)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	2,866	664	–	(2,202)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	2,053	36	–	(2,017)
Sporting grounds and venues	2,378	818	86	(1,474)
Swimming pools	8,844	8,680	–	(164)
Parks and gardens (lakes)	9,399	342	–	(9,057)
Other sport and recreation	–	–	–	–
Total recreation and culture	34,056	11,118	86	(22,852)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	2,734	1,185	–	(1,549)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	2,734	1,185	–	(1,549)
Transport and communication				
Urban roads (UR) – local	14,157	2,523	675	(10,959)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	5,365	6,803	–	1,438
Footpaths	4,732	798	181	(3,753)
Aerodromes	–	–	–	–
Other transport and communication	–	417	–	417
Total transport and communication	24,254	10,541	856	(12,857)
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	287	2,562	–	2,275
Total economic affairs	287	2,562	–	2,275
Totals – functions	147,034	72,352	5,919	(68,763)
General purpose revenues ⁽¹⁾		78,665		78,665
Share of interests – joint ventures and associates using the equity method	–	–	–	–
NET OPERATING RESULT ⁽²⁾	147,034	151,017	5,919	9,902

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Randwick City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	480	480	2,573	2,879	147,246	249,441	21%	13%	65%	1%	0%
	Sealed roads	2,658	2,658	1,626	2,682	398,278	698,254	24%	72%	3%	1%	0%
	Footpaths	536	536	596	1,817	77,040	102,697	22%	44%	31%	3%	0%
	Other road assets	1,076	1,076	863	1,161	113,722	164,192	17%	50%	28%	5%	0%
	Sub-total	4,270	4,270	3,085	5,660	589,040	965,143	22.6%	65.3%	10.2%	1.9%	0.0%
Roads												

Randwick City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	872	872	1,049	1,551	190,542	307,792	16%	74%	9%	1%	0%
	Swimming pools			72	61	1,826	3,884	0%	8%	92%	0%	0%
Open space/recreational assets	Other Open Space / Recreational Assets	757	757	514	1,138	71,398	96,392	31%	51%	15%	3%	0%
	Sub-total	757	757	586	1,199	73,224	100,276	29.8%	49.3%	18.0%	2.9%	0.0%
TOTAL – ALL ASSETS		6,379	6,379	7,293	11,289	1,000,052	1,622,652	21.5%	57.9%	18.9%	1.6%	0.0%

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

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

Randwick City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Amounts 2017	Indicator 2017	Prior periods	
			2016	2015
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>19,509</u>	107.03%	119.64%	120.29%
Depreciation, amortisation and impairment	<u>18,227</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>6,379</u>	0.64%	0.66%	0.67%
Net carrying amount of infrastructure assets	<u>1,000,052</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>11,289</u>	1.55	1.44	1.40
Required asset maintenance	<u>7,293</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>6,379</u>	0.39%	0.00%	
Gross replacement cost	<u>1,622,652</u>			

Notes

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

(1) 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.

Randwick City Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017

<p>1. Infrastructure renewals ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>122%</td> </tr> <tr> <td>2015</td> <td>120%</td> </tr> <tr> <td>2016</td> <td>120%</td> </tr> <tr> <td>2017</td> <td>107%</td> </tr> </tbody> </table>	Year	Ratio %	2014	122%	2015	120%	2016	120%	2017	107%	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 Ratio 107.03%</p> <p>Randwick City Council continues to grow the rate at which is renewing its infrastructure. Through very strong infrastructure planning and management practices this will continue to be above the benchmark and continue to reduce the infrastructure backlog.</p>
Year	Ratio %											
2014	122%											
2015	120%											
2016	120%											
2017	107%											
<p>Benchmark: Minimum >=100.00% Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>		<p> Ratio achieves benchmark Ratio is outside benchmark</p>										
<p>2. Infrastructure backlog ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>0.7%</td> </tr> <tr> <td>2015</td> <td>0.7%</td> </tr> <tr> <td>2016</td> <td>0.7%</td> </tr> <tr> <td>2017</td> <td>0.6%</td> </tr> </tbody> </table>	Year	Ratio %	2014	0.7%	2015	0.7%	2016	0.7%	2017	0.6%	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 Ratio 0.64%</p> <p>The decrease in the infrastructure backlog of Randwick City is correlated to the increase in the level of asset renewals and asset maintenance ratios.</p>
Year	Ratio %											
2014	0.7%											
2015	0.7%											
2016	0.7%											
2017	0.6%											
<p>Benchmark: Maximum <2.00% Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>		<p> Ratio achieves benchmark Ratio is outside benchmark</p>										
<p>3. Asset maintenance ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>1.29</td> </tr> <tr> <td>2015</td> <td>1.40</td> </tr> <tr> <td>2016</td> <td>1.44</td> </tr> <tr> <td>2017</td> <td>1.55</td> </tr> </tbody> </table>	Year	Ratio (x)	2014	1.29	2015	1.40	2016	1.44	2017	1.55	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 Ratio 1.55 x</p> <p>Randwick City Council continues to sufficiently fund the maintenance of the City's assets. This ensures that these assets are kept in a condition that is satisfactory to the community.</p>
Year	Ratio (x)											
2014	1.29											
2015	1.40											
2016	1.44											
2017	1.55											
<p>Benchmark: Minimum >1.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>		<p> Ratio achieves benchmark Ratio is outside benchmark</p>										
<p>4. Cost to bring assets to agreed service level</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>0.00%</td> </tr> <tr> <td>2017</td> <td>0.39%</td> </tr> </tbody> </table>	Year	Ratio %	2016	0.00%	2017	0.39%	<p>Purpose of agreed service level ratio</p> <p>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.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 Ratio 0.39%</p> <p>This is the first year Council calculates this ratio. No comparative data from prior years is available.</p>				
Year	Ratio %											
2016	0.00%											
2017	0.39%											

Randwick City Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	72,233	75,071
Plus or minus adjustments ⁽²⁾	b	248	458
Notional general income	c = (a + b)	72,481	75,529
Permissible income calculation			
Special variation percentage ⁽³⁾	d	3.59%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	2,602	–
Or plus rate peg amount	i = c x e	–	1,133
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	75,083	76,662
Plus (or minus) last year's carry forward total	l	2	13
Less valuation objections claimed in the previous year	m	(1)	–
Sub-total	n = (l + m)	1	13
Total permissible income	o = k + n	75,084	76,675
Less notional general income yield	p	75,071	76,685
Catch-up or (excess) result	q = o – p	13	(11)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	11
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	13	1

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (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.
- (6) 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 Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Randwick City Council

To the Councillors of Randwick City Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Randwick City Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Randwick City Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ending 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 12 August 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

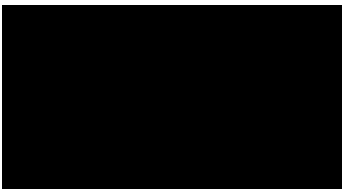
- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.


Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.




Director, Financial Audit Services

13 October 2017
SYDNEY

Randwick City Council
30 Frances Street, Randwick NSW 2031 Australia

www.randwick.nsw.gov.au

Tel: 02 9093 6000

or 1300 722 542

Fax: 02 9319 1510

Email: council@randwick.nsw.gov.au

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