



General Purpose Financial Statement for the year ended 30 June 2020



Burwood
Inc.1874

Burwood . Burwood Heights . Croydon . Croydon Park . Enfield . Strathfield

General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

Burwood Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:
2 Conder Street
BURWOOD NSW 2134

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.burwood.nsw.gov.au.

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Burwood Council

General Purpose Financial Statements

for the year ended 30 June 2020

Statement by Councillors and Management

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

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

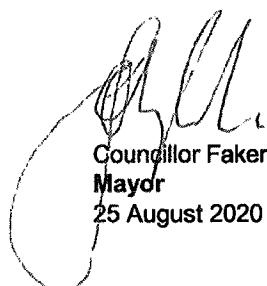
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

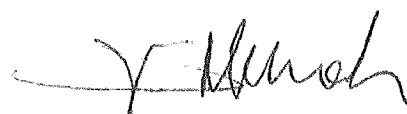
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 25 August 2020.




Councillor Faker
Mayor
25 August 2020



Councillor Mannah
Councillor
25 August 2020



Tommaso Briscese
General Manager
25 August 2020



Wayne Armitage
Responsible Accounting Officer
25 August 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
29,276	Rates and annual charges	3a	30,448	28,600
9,687	User charges and fees	3b	8,453	11,151
4,393	Other revenues	3c	4,949	5,502
3,517	Grants and contributions provided for operating purposes	3d,3e	3,250	3,438
4,530	Grants and contributions provided for capital purposes	3d,3e	34,980	10,002
1,430	Interest and investment income	4	1,398	1,828
–	Fair value increment on investment properties	11	360	160
1,572	Rental income	14e	1,341	–
–	Net share of interests in joint ventures and associates using the equity method	19	3	–
54,405	Total income from continuing operations		85,182	60,681
Expenses from continuing operations				
21,693	Employee benefits and on-costs	5a	20,403	19,649
333	Borrowing costs	5b	378	345
11,653	Materials and contracts	5c	16,882	12,943
7,335	Depreciation and amortisation of intangible assets and IPP&E	5d	8,058	7,505
9,783	Other expenses	5e	8,852	8,370
–	Net losses from the disposal of assets	6	1,672	487
–	Net share of interests in joint ventures and associates using the equity method	19	–	13
50,797	Total expenses from continuing operations		56,245	49,312
3,608	Operating result from continuing operations		28,937	11,369
3,608	Net operating result for the year		28,937	11,369
3,608	Net operating result attributable to council		28,937	11,369
(922)	Net operating result for the year before grants and contributions provided for capital purposes		(6,043)	1,367

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		28,937	11,369
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	(13,472)	4,728
Other comprehensive income – joint ventures and associates	19	(108)	(1)
Total items which will not be reclassified subsequently to the operating result		(13,580)	4,727
Total other comprehensive income for the year		(13,580)	4,727
Total comprehensive income for the year		15,357	16,096
Total comprehensive income attributable to Council		15,357	16,096

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	10,781	1,941
Investments	7(b)	47,250	60,250
Receivables	8	3,461	4,495
Contract assets	13a	539	–
Other	9	680	490
Total current assets		62,711	67,176
Non-current assets			
Investments	7(b)	–	3,000
Infrastructure, property, plant and equipment	10(a)	489,027	465,443
Investment property	11	4,340	3,980
Intangible Assets	12	330	331
Right of use assets	14a	1,296	–
Investments accounted for using the equity method	19	15	120
Total non-current assets		495,008	472,874
Total assets		557,719	540,050
LIABILITIES			
Current liabilities			
Payables	15	11,069	9,112
Income received in advance	15	–	967
Contract liabilities	13b	3,671	–
Lease liabilities	14b	206	–
Borrowings	15	721	690
Provisions	16	6,976	7,022
Total current liabilities		22,643	17,791
Non-current liabilities			
Lease liabilities	14b	1,107	–
Borrowings	15	5,487	6,208
Provisions	16	179	130
Total non-current liabilities		6,773	6,338
Total liabilities		29,416	24,129
Net assets		528,303	515,921
EQUITY			
Accumulated surplus	17	250,563	224,709
Revaluation reserves	17	277,740	291,212
Council equity interest		528,303	515,921
Total equity		528,303	515,921

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		224,709	291,212	515,921	213,341	286,484	499,825
Changes due to AASB 1058, AASB 15 and AASB 16 adoption	17	(2,975)	–	(2,975)	–	–	–
Restated opening balance		221,734	291,212	512,946	213,341	286,484	499,825
Net operating result for the year		28,937	–	28,937	11,369	–	11,369
Restated net operating result for the period		28,937	–	28,937	11,369	–	11,369
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	(13,472)	(13,472)	–	4,728	4,728
– Joint ventures and associates	19	(108)	–	(108)	(1)	–	(1)
Other comprehensive income		(108)	(13,472)	(13,580)	(1)	4,728	4,727
Total comprehensive income		28,829	(13,472)	15,357	11,368	4,728	16,096
Equity – balance at end of the reporting period		250,563	277,740	528,303	224,709	291,212	515,921

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
29,244	Rates and annual charges		30,315	28,470
10,929	User charges and fees		9,477	11,275
1,418	Investment and interest revenue received		1,698	1,689
11,338	Grants and contributions		16,283	14,088
1,500	Bonds, deposits and retention amounts received		1,502	1,220
3,385	Other		10,410	7,827
Payments:				
(21,628)	Employee benefits and on-costs		(19,868)	(19,324)
(11,820)	Materials and contracts		(20,724)	(14,585)
(334)	Borrowing costs		(378)	(342)
(1,500)	Bonds, deposits and retention amounts refunded		(1,429)	(1,825)
(8,383)	Other		(9,616)	(9,087)
14,149	Net cash provided (or used in) operating activities	18b	17,670	19,406
Cash flows from investing activities				
Receipts:				
30,000	Sale of investment securities		70,000	25,250
950	Sale of infrastructure, property, plant and equipment		401	2,293
Payments:				
(30,000)	Purchase of investment securities		(54,000)	(38,500)
(13,215)	Purchase of infrastructure, property, plant and equipment		(24,180)	(13,550)
(200)	Purchase of intangible assets		(160)	(549)
(12,465)	Net cash provided (or used in) investing activities		(7,939)	(25,056)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		–	1,000
Payments:				
(708)	Repayment of borrowings and advances		(690)	(596)
–	Lease liabilities (principal repayments)		(201)	–
(708)	Net cash flow provided (used in) financing activities		(891)	404
976	Net increase/(decrease) in cash and cash equivalents		8,840	(5,246)
–	Plus: cash and cash equivalents – beginning of year	18a	1,941	7,187
976	Cash and cash equivalents – end of the year	18a	10,781	1,941
–	plus: Investments on hand – end of year	7(b)	47,250	63,250
976	Total cash, cash equivalents and investments		58,031	65,191

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 25 August 2020. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note 11
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (iii) employee benefit provisions – refer Note 16.

Covid 19 Impacts

Covid 19 has caused a disruption to council's business practices with a majority of staff working remotely from home or at other council facilities away from the main administration building. Whilst this has caused some inconvenience it has not resulted in significant additional cost. Some costs have been incurred for additional equipment and staff salaries for employees required to isolate.

Council has provided some rent relief to lessees and to businesses to compensate for lost income due to the compulsory lockdown and some additional costs have been incurred in cleaning of council's facilities.

Rate collection is less than in previous year's due to Covid 19, other receivables have not been impacted as much. - refer Note 8

Overall the financial impact has been better than originally expected and will be continually monitored in future years.

Council is of the view that physical non-current assets will not experience substantial declines in value due to Covid 19. Fair value of the majority of Council's non-current assets are determined by replacement costs where there is no anticipated material change in value due to Covid 19.

For assets where fair value is determined by market value Council has no evidence of material changes to these values.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations

(b) The Trust Fund

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

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

A separate statement of monies held in the Trust Fund is available for inspection at the council office by any person free of charge.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council does not have a material dependence on volunteer services, however the use of volunteer services is to provide opportunities for residents to experience different areas of the workforce, gain recognisable work experience, and allow them to identify and work towards future career goals. This also benefits Council as we are able to harness the skill sets of our local community without any expectation of paid employment.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (ie pronouncements) have been published that are not mandatory for 30 June 2020 reporting periods.

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

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

New accounting standards adopted during the year

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards
- AASB 1958 of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statements disclosures can be found at Note 17.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Community Lifestyle	3,281	3,435	9,806	9,248	(6,525)	(5,813)	1,310	1,262	46,183	41,873
Leadership Innovation	2,253	2,330	14,465	11,466	(12,212)	(9,136)	137	107	158,234	114,419
Healthy Sustainable Environment	7,703	11,123	13,282	11,789	(5,579)	(666)	655	3,849	117,780	120,388
Planning Infrastructure	45,194	17,935	17,966	16,013	27,228	1,922	970	859	234,095	261,760
Vibrant City Villages	103	119	726	783	(623)	(664)	5	–	1,412	1,490
Other – Share of gains /losses in Joint Ventures (using equity method)	3	–	–	13	3	(13)	–	–	15	120
General purpose income	26,645	25,739	–	–	26,645	25,739	820	872	–	–
Total functions and activities	85,182	60,681	56,245	49,312	28,937	11,369	3,897	6,949	557,719	540,050

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Community and Lifestyle

The theme 'community and lifestyle' relates to supporting the community to create a feeling of belonging, inclusiveness and wellbeing amongst Burwood's diverse population. Community and lifestyle is about people being proud of where they live, feeling safe and engaged in the community and having access to facilities and services that ensure they can lead a healthy and satisfying lifestyle.

Leadership Innovation

This theme relates to the leadership not only of our elected representatives but also leaders in our business, volunteer, spiritual and environmental community. It is about encouraging greater participation and engagement in decision making processes and involving people in local activities and programs. Leadership through innovation is also about thinking outside the square to resolve some of the challenges facing our community as we strive to be a leading community in economic prosperity, environmental sustainability and social responsibility. We strive for community leadership that fosters our community values and celebrates our culture, diversity and heritage.

Healthy and Sustainable Environment

This theme is focused on maintaining and ensuring we live in a healthy, safe and sustainable natural environment. This theme aims to protect our natural resources and assets including parks, trees, open green spaces and also ensure that our impact on the environment is reduced so that we continue to live in a clean and sustainable environment. The community, Council and other governments all have a role to play in protecting our environment and taking responsibility for preserving our natural resources for future generations.

Planning and Infrastructure

This theme relates to the services and infrastructure that supports our community including roads, public transport, health facilities and education providers. It also encompasses our strategic planning to ensure we can accommodate our growing population. This theme aims to improve the quality and equitable access to services in our community and also to enhance the visual appearance of our neighbourhoods, streetscapes and town centre. Transport plays a major role in keeping our community physically connected to work, recreational spaces and services. Being able to move around easily plays a key role in the liveability and sustainability of our area.

Vibrant City and Villages

This theme relates to harnessing Burwood's strategic status and supporting the businesses and services that contribute to the wider Burwood economy. Burwood is characterised by a vibrant CBD and several business and shopping precincts. This theme aims to ensure an economically sustainable and prosperous future in Burwood with a strong network of services that support existing businesses and institutions, and attract new and diverse organisations. It also aims to stimulate the local economy and activate our surrounding villages to foster a sense of pride and enhance our local identity.

Other - Share of gains /losses in Joint Ventures (using equity method)

Council is a member of Mutual Management Services Ltd which is a company limited by guarantee and was created to provide services to the three CivicRisk self-insurance pools CivicRisk West (Westpool), CivicRisk (Metropool) and CivicRisk (United Independent Pools) to self insure for various risks, including public liability and professional indemnity.

General purpose income

General purpose income is that income not attributed to directly to Council's Activities or Functions. Income includes Rates & Annual Charges, Untied General Purpose Grants and Interest on Investments.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	18,114	16,831
Business	1058 (1)	6,117	5,977
Less: pensioner rebates (mandatory)	1058 (1)	(140)	(141)
Less: pensioner rebates (Council policy)	1058 (1)	(123)	(82)
Rates levied to ratepayers		23,968	22,585
Pensioner rate subsidies received	1058 (1)	171	173
Total ordinary rates		24,139	22,758
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	6,018	5,553
Stormwater management services	1058 (1)	288	282
Section 611 charges	1058 (1)	45	49
Less: pensioner rebates (mandatory)	1058 (1)	(42)	(42)
Less: pensioner rebates (Council policy)	1058 (1)	(51)	(52)
Annual charges levied		6,258	5,790
Pensioner subsidies received:			
– Domestic waste management	1058 (1)	51	52
Total annual charges		6,309	5,842
TOTAL RATES AND ANNUAL CHARGES		30,448	28,600

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

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

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

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

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

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

Accounting policy for rates and charges

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services		–	32
Waste management services (non-domestic)		–	417
Total specific user charges		–	449
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67	15 (1)	384	250
Section 10.7 certificates (EP&A Act)	15 (1)	76	79
Section 603 certificates	15 (1)	44	43
Other	15 (1)	2	3
Developer fees	15 (1)	398	473
Engineering and administration	15 (1)	1,596	1,850
Licence and inspection fees	1058 (1)	219	334
Licence fees – outdoor eating	15 (1)	88	92
Total fees and charges – statutory/regulatory		2,807	3,124
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Community centres	15 (1)	167	219
Leaseback fees – Council vehicles	15 (1)	213	213
Park rents	15 (1)	67	71
Car parking meters	15 (1)	1,781	1,849
Car parking station	15 (1)	1,035	1,206
Cultural event hire charges	15 (1)	67	6
Property rental – commercial (2019 only)		–	968
Property rental – residential (2019 only)		–	189
Street furniture advertising income	15 (1)	1,010	991
Swimming centre and gym fees	15 (1)	1,238	1,804
Other	15 (1)	68	62
Total fees and charges – other		5,646	7,578
TOTAL USER CHARGES AND FEES		8,453	11,151

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

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

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

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

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

Accounting policy for user charges and fees

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – investment property (2019 only)		–	324
Fines	1058 (1)	223	307
Fines – parking	1058 (1)	3,918	4,119
Legal fees recovery – rates and charges (extra charges)	1058 (1)	33	34
Legal fees recovery – other	1058 (1)	173	90
Diesel rebate	1058 (2)	10	9
Sale of abandoned vehicles	15 (1)	9	7
Sales – general	15 (1)	29	32
Animal control fees	1058 (2)	21	26
OHS incentive rebate	1058 (2)	103	186
Operating lease reimbursement		–	9
Recycling (domestic waste)	15 (1)	45	8
Refund Carbon Tax	1058 (2)	7	6
Other	15 (1)	366	318
Sales – library	15 (1)	7	16
Urban growth reimbursement		–	5
Workers compensation recovery	1058 (1)	5	6
TOTAL OTHER REVENUE		4,949	5,502

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	398	428	–	–
Financial assistance – local roads component	1058 (1)	131	137	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	422	444	–	–
Financial assistance – local roads component	1058 (1)	139	143	–	–
Total general purpose		1,090	1,152	–	–
Specific purpose					
Environmental programs	15 (2)	30	86	–	–
Library – per capita	1058 (1)	98	84	–	–
Library – special projects	15 (2)	1	1	119	15
LIRS subsidy	1058 (1)	25	33	–	–
Recreation and culture	15 (2)	–	30	623	3,771
Street lighting	1058 (1)	80	80	–	–
Traffic route subsidy	1058 (1)	26	32	–	–
Transport (roads to recovery)	1058 (1)	–	–	169	–
Transport (other roads and bridges funding)	1058 (1)	100	77	346	470
Community services	15 (1)	1,061	1,095	–	–
Family leave subsidy	1058 (1)	16	23	–	–
Flood mitigation		3	–	–	–
Other	1058 (1)	48	–	60	–
Other		2	–	–	–
Total specific purpose		1,490	1,541	1,317	4,256
Total grants		2,580	2,693	1,317	4,256
Grant revenue is attributable to:					
– Commonwealth funding		2,093	2,224	169	1,006
– State funding		447	469	446	3,250
– Other funding		40	–	702	–
		2,580	2,693	1,317	4,256

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.4 – contributions using planning agreements		1058 (2)	–	–	3,870	302
S 7.11 – contributions towards amenities/services		1058 (2)	–	–	5,481	3,585
Total developer contributions – cash			–	–	9,351	3,887
Non-cash contributions						
S 7.4 – contributions using planning agreements		1058 (2)	–	–	22,016	–
Total developer contributions non-cash			–	–	22,016	–
Total developer contributions	27		–	–	31,367	3,887
Other contributions:						
Cash contributions						
Community services		1058 (1)	31	25	–	–
Kerb and gutter		1058 (2)	436	509	2,296	1,859
Other councils – joint works/services		1058 (1)	–	16	–	–
Recreation and culture		1058 (1)	17	31	–	–
RMS contributions (regional roads, block grant)		1058 (1)	105	102	–	–
Other		1058 (1)	39	–	–	–
LSL transfer between councils		1058 (1)	42	62	–	–
Total other contributions – cash			670	745	2,296	1,859
Total other contributions			670	745	2,296	1,859
Total contributions			670	745	33,663	5,746
TOTAL GRANTS AND CONTRIBUTIONS			3,250	3,438	34,980	10,002

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

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

1. The non-cash contribution figure relates to commercial office space and land dedication under a voluntary planning agreement.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	248	247
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	248
Add: operating grants received for the provision of goods and services in a future period	150	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(247)
Less: operating grants received in a previous reporting period now spent and recognised as income	(159)	–
Less: operating grants received in a previous reporting period now transferred to a liability account	(212)	–
Unexpended and held as externally restricted assets (operating grants)	27	248
Capital grants		
Unexpended at the close of the previous reporting period	2,806	445
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	2,371
Add: capital grants received for the provision of goods and services in a future period	522	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(10)
Less: capital grants received in a previous reporting period now spent and recognised as income	(702)	–
Less: capital grants received in previous reporting period now transferred to a liability account	(2,626)	–
Unexpended and held as externally restricted assets (capital grants)	–	2,806
Contributions		
Unexpended at the close of the previous reporting period	19,259	18,092
Add: contributions recognised as income in the current period but not yet spent	9,448	4,080
Less: contributions recognised in a previous reporting period now spent	(11,440)	(2,913)
Unexpended and held as externally restricted assets (contributions)	17,267	19,259

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	44	57
– Cash and investments	1,336	1,770
Dividend income (other)	18	1
Total Interest and investment income	1,398	1,828

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

Overdue rates and annual charges (general fund)	44	57
General Council cash and investments	1,257	1,578

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income (continued)

\$ '000	2020	2019
Restricted investments/funds – external:		
Development contributions		
– Section 7.11 and Section 7.12	97	193
Total interest and investment revenue	1,398	1,828

Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	14,988	14,006
Employee termination costs (where material – other than vested leave paid)	329	412
Employee leave entitlements (ELE)	2,629	2,885
Superannuation	1,790	1,684
Superannuation – defined benefit plans	–	21
Workers' compensation insurance	347	327
Fringe benefit tax (FBT)	264	234
Training costs (other than salaries and wages)	76	136
Other	11	2
Total employee costs	20,434	19,707
Less: capitalised costs	(31)	(58)
TOTAL EMPLOYEE COSTS EXPENSED	20,403	19,649

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 21 for more information.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on leases	38	–
Interest on loans	340	345
Total interest bearing liability costs	378	345
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>378</u>	<u>345</u>

Accounting policy for borrowing costs

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

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	2,099	1,756
Contractor and consultancy costs		
– Agency staff	1,979	2,291
– Domestic waste	1,550	994
– General	6,665	4,708
– Recycling	448	477
– SDR processing	520	549
– Other contractor and consultancy costs	2,442	1,209
Auditors remuneration ²	119	94
Legal expenses:		
Expenses from short-term leases (2020 only)	29	–
– Legal expenses: planning and development	373	249
– Legal expenses: debt recovery	33	34
– Legal expenses: other	625	522
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	60
Total materials and contracts	16,882	12,943
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>16,882</u>	<u>12,943</u>

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Other	–	60
	<u>–</u>	<u>60</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
2. Auditor remuneration		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	88	71
Remuneration for audit and other assurance services	88	71
Total Auditor-General remuneration	88	71
Non NSW Auditor-General audit firms		
(ii) Non-assurance services		
Other audit and assurance services	31	23
Remuneration for non-assurance services	31	23
Total remuneration of non NSW Auditor-General audit firms	31	23
Total Auditor remuneration	119	94

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation and amortisation of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		928	882
Office equipment		201	173
Furniture and fittings		334	314
Land improvements (depreciable)		282	285
Infrastructure:	10(a)		
– Buildings – non-specialised		89	89
– Buildings – specialised		1,405	1,226
– Other structures		110	117
– Roads		2,007	1,989
– Footpaths		734	724
– Other road assets		223	207
– Stormwater drainage		677	671
– Swimming pools		128	127
– Other open space/recreational assets		379	338
Right of use assets	14	218	–
Other assets:			
– Library books		130	118
– Other		52	27
Intangible assets	12	161	218
Total gross depreciation and amortisation costs		8,058	7,505
Total depreciation and amortisation costs		8,058	7,505
<u>TOTAL DEPRECIATION AND AMORTISATION FOR INTANGIBLES AND IPP&E</u>		8,058	7,505

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets.

Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	182	190
Bad and doubtful debts	42	(5)
Bank charges	169	179
Computing	1,200	967
Contributions/levies to other levels of government		
– Department of planning levy	78	76
– Emergency services levy (includes FRNSW, SES, and RFS levies)	61	52
– NSW fire brigade levy	654	562
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	142	139
Councillors' expenses (incl. mayor) – other (excluding fees above)	103	139
Donations, contributions and assistance to other organisations (Section 356)	16	55
Electricity and heating	458	481
Insurance	563	595
Postage	93	96
Printing and stationery	259	217
Rental	81	80
Strata levy	197	190
Street lighting	600	639
Subscriptions and publications	210	192
Subscriptions LGA and SSROC	128	123
Telephone and communications	102	106
Valuation fees – council properties	13	11
Valuation fees – rates land values	46	51
Waste disposal fees	3,072	3,038
Water and sewerage charges	117	120
Other	222	34
Total other expenses	8,852	8,370
TOTAL OTHER EXPENSES	8,852	8,370

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Carrying amount of property assets sold/written off		–	(1,727)
Net gain/(loss) on disposal		–	(1,727)
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		397	565
Less: carrying amount of plant and equipment assets sold/written off		(238)	(395)
Net gain/(loss) on disposal		159	170
Infrastructure			
	10(a)		
Proceeds from disposal – infrastructure		–	1,727
Less: carrying amount of infrastructure assets sold/written off		(1,835)	(658)
Net gain/(loss) on disposal		(1,835)	1,069
Other			
Proceeds from disposal – Office Furniture		4	1
Net gain/(loss) on disposal		4	1
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,672)	(487)

Accounting policy for disposal of assets

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

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

During the 2018-19, Council sold a parcel of Land at Hornsey Street, Burwood. This asset could not be identified within Council's asset register and was given a nominal value for sale.

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	2,028	373
Cash-equivalent assets		
– Deposits at call	8,753	1,568
Total cash and cash equivalents	10,781	1,941

Accounting policy for cash and cash equivalents

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	47,250	–	60,250	3,000
Total Investments	47,250	–	60,250	3,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	58,031	–	62,191	3,000
Financial assets at fair value through the profit and loss				
Long term deposits	26,000	–	35,000	3,000
NCD's, FRN's (with maturities > 3 months)	21,250	–	25,250	–
Total	47,250	–	60,250	3,000

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	58,031	–	62,191	3,000
attributable to:				
External restrictions	20,379	–	22,695	3,000
Internal restrictions	34,479	–	33,588	–
Unrestricted	3,173	–	5,908	–
	58,031	–	62,191	3,000

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

Details of restrictions

External restrictions – other

Developer contributions – general	17,267	19,259
Specific purpose unexpended grants (recognised as revenue) – general fund	27	3,054
Unexpended general purpose loans	1,000	1,106
Domestic waste management	2,085	2,276
External restrictions – other	20,379	25,695

Total external restrictions

	20,379	25,695
--	---------------	---------------

Internal restrictions

Plant and vehicle replacement	3,043	3,229
Employees leave entitlement	1,465	1,465
Carry over works	2,128	2,368
Deposits, retentions and bonds	4,446	4,373
Park upgrade	934	1,186
Car park upgrades	574	574
Closed circuit television monitoring	234	434
Election	325	275
Enfield aquatic centre maintenance/upgrade	1,253	1,153
Financial assistance grant (in advance)	561	587
Future property investment	4,556	7,640
Information technology	667	438
Insurances	1,123	1,286
Local area traffic management	294	250
Organisational alignment	500	500
Parking meter replacement	266	527
Payments in advance	23	95
Property maintenance	1,949	1,924
Property sales	500	500
Road and footpath restorations (private works)	692	549
Furniture and equipment replacement	–	700
Technology enhancements (Smart City – Burwood)	971	1,250
Operations centre upgrade	1,400	1,000
Work health and safety	371	303
Covid-19 (operational reimbursement)	1,852	–
Woodstock community building upgrade	287	287

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Town centre festive decorations	50	250
Contract Liabilities (AASB 15 / AASB 1058)	3,671	–
Other	344	445
Total internal restrictions	34,479	33,588
TOTAL RESTRICTIONS	54,858	59,283

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	1,216	–	780	–
Interest and extra charges	89	–	74	–
User charges and fees	188	–	757	–
Private works	159	–	98	–
Accrued revenues				
– Interest on investments	256	–	571	–
– Parking fine income	302	–	391	–
– Other income accruals	340	–	298	–
Net investment in finance lease	–	–	–	–
Government grants and subsidies	443	–	908	–
Net GST receivable	631	–	740	–
Other debtors - Active Kids	2	–	7	–
Other debtors	8	–	8	–
Total	3,634	–	4,632	–
Less: provision of impairment				
User charges and fees	(173)	–	(137)	–
Total provision for impairment – receivables	(173)	–	(137)	–
TOTAL NET RECEIVABLES	3,461	–	4,495	–
Externally restricted receivables				
Domestic waste management	233	–	158	–
Stormwater management	13	–	10	–
Total external restrictions	246	–	168	–
Unrestricted receivables	3,215	–	4,327	–
TOTAL NET RECEIVABLES	3,461	–	4,495	–

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	137	156
+ new provisions recognised during the year	67	6
– amounts already provided for and written off this year	(31)	(25)
Balance at the end of the year	173	137

Accounting policy for receivables

Recognition and measurement

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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

Impairment

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

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

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

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

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

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

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

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Rates and annual charges outstanding are secured against the property.

Covid 19

Council's rates have had a moderate increase in outstanding collections however they are secured against the property and are within the Local Government performance measures, Council's user charges collections have not been significantly impacted by the Covid 19 pandemic and are comparable to prior years, therefore no adjustment has been made to the impairment provision.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Other assets				
Prepayments	680	–	490	–
<u>TOTAL OTHER ASSETS</u>	<u>680</u>	<u>–</u>	<u>490</u>	<u>–</u>

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

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

\$ '000	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	708	–	708	–	536	(41)	–	(280)	–	–	923	–	923
Plant and equipment	9,309	(5,192)	4,117	1,673	326	(322)	(928)	–	–	–	9,943	(5,077)	4,866
Office equipment	2,836	(2,127)	709	109	1,020	(39)	(201)	–	–	–	2,662	(1,064)	1,598
Furniture and fittings	4,700	(2,597)	2,103	–	11,279	(161)	(334)	239	–	–	15,775	(2,649)	13,126
Land:													
– Operational land	121,430	–	121,430	–	–	–	–	–	–	–	121,430	–	121,430
– Community land	41,312	–	41,312	–	1,150	–	–	–	–	(6,547)	35,915	–	35,915
Land improvements – depreciable	16,466	(3,653)	12,813	67	–	(18)	(282)	–	–	–	16,500	(3,920)	12,580
Infrastructure:													
– Buildings – non-specialised	4,174	(3,127)	1,047	–	–	–	(89)	–	–	–	4,174	(3,216)	958
– Buildings – specialised	65,344	(13,292)	52,052	49	22,408	–	(1,405)	–	–	20,783	108,584	(14,697)	93,887
– Other structures	3,719	(724)	2,995	–	261	–	(110)	–	–	–	3,979	(834)	3,145
– Roads	202,365	(61,955)	140,410	1,992	–	(350)	(2,007)	4	(26,078)	–	220,460	(106,489)	113,971
– Footpaths	59,013	(20,574)	38,439	2,107	5	(1,004)	(734)	11	(4,936)	–	73,163	(39,275)	33,888
– Other road assets	9,075	(1,920)	7,155	344	807	(41)	(223)	–	–	–	10,173	(2,132)	8,041
– Stormwater drainage	70,165	(41,515)	28,650	176	580	(42)	(677)	–	–	3,306	82,263	(50,270)	31,993
– Swimming pools	6,018	(2,810)	3,208	–	–	–	(128)	–	–	–	6,018	(2,937)	3,081
– Other open space/recreational assets	10,113	(2,421)	7,692	482	734	(53)	(379)	26	–	–	11,192	(2,690)	8,502
Other assets:													
– Library books	1,733	(1,366)	367	–	142	–	(130)	–	–	–	1,875	(1,496)	379
– Other	757	(521)	236	50	511	(2)	(52)	–	–	–	889	(145)	744
Total Infrastructure, property, plant and equipment ²	629,237	(163,794)	465,443	7,049	39,759	(2,073)	(7,679)	–	(31,014)	17,542	725,918	(236,891)	489,027

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

(2) Infrastructure Assets (Roads, Footpaths and Drainage) includes disposal costs as part of the costs when valuing the assets.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	1,000	–	1,000	–	615	(102)	–	(806)	–	–	708	–	708
Plant and equipment	8,739	(4,885)	3,854	225	1,299	(395)	(882)	18	–	–	9,309	(5,192)	4,117
Office equipment	2,520	(1,955)	565	216	102	(2)	(173)	–	–	–	2,836	(2,127)	709
Furniture and fittings	4,356	(2,283)	2,073	25	319	–	(314)	–	–	–	4,700	(2,597)	2,103
Land:													
– Operational land	121,430	–	121,430	–	–	–	–	–	–	–	121,430	–	121,430
– Community land	36,583	–	36,583	–	–	–	–	–	–	4,728	41,312	–	41,312
Land improvements – depreciable	16,301	(3,393)	12,908	161	53	(31)	(285)	5	–	–	16,466	(3,653)	12,813
Infrastructure:													
– Buildings – non-specialised	4,582	(3,446)	1,136	–	–	–	(89)	–	–	–	4,174	(3,127)	1,047
– Buildings – specialised	63,266	(12,106)	51,160	874	953	(23)	(1,226)	314	–	–	65,344	(13,292)	52,052
– Other structures	3,594	(607)	2,987	14	111	–	(117)	–	–	–	3,719	(724)	2,995
– Roads	201,457	(60,694)	140,763	2,189	1	(568)	(1,989)	15	–	–	202,365	(61,955)	140,410
– Footpaths	57,761	(20,704)	37,057	3,112	–	(1,290)	(724)	284	–	–	59,013	(20,574)	38,439
– Other road assets	8,538	(1,782)	6,756	303	362	(91)	(207)	32	–	–	9,075	(1,920)	7,155
– Stormwater drainage	68,832	(40,984)	27,848	60	1,379	(27)	(671)	61	–	–	70,165	(41,515)	28,650
– Swimming pools	6,008	(2,682)	3,326	11	–	–	(127)	–	–	–	6,018	(2,810)	3,208
– Other open space/recreational assets	9,026	(2,219)	6,807	1,140	280	(251)	(338)	53	–	–	10,113	(2,421)	7,692
Other assets:													
– Library books	1,592	(1,248)	344	–	141	–	(118)	–	–	–	1,733	(1,366)	367
– Other	3,058	(2,614)	444	52	12	–	(27)	24	(269)	–	757	(521)	236
Total Infrastructure, property, plant and equipment ²	618,643	(161,602)	457,041	8,382	5,627	(2,780)	(7,287)	–	(269)	4,728	629,237	(163,794)	465,443

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

(2) Amounts were transferred from Other Assets to the Intangible Assets class (refer note 11). Recognition of software as Intangible Assets represents a change in accounting policy, effective 1 July 2018.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	15 to 25
Office furniture	5 to 20	Benches, seats etc.	10 to 20
Computer equipment	5		
Vehicles	5	Buildings	
Heavy plant/road making equipment	8 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 20	Buildings: other	20 to 40
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 30	Bulk earthworks	Infinite
Sealed roads: structure	Infinite	Swimming pools	60
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	15 to 80
Bridge: other	50	Other infrastructure	10 to 80
Road pavements	75 to 225	Stormwater assets	100 to 200
Kerb, gutter and footpaths	50 to 90		

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

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Crown reserves

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

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

Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/20			as at 30/06/19		
	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	948	596	352	857	552	305
Total DWM	948	596	352	857	552	305
<u>TOTAL RESTRICTED IPP&E</u>	948	596	352	857	552	305

Note 10(c). Infrastructure, property, plant and equipment – current year impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Note 11. Investment properties

\$ '000	2020	2019
Owned investment property		
Investment property on hand at fair value	4,340	3,980
Total owned investment property	4,340	3,980

(a) Reconciliation – owned investment property

Reconciliation of annual movement:

Opening balance	3,980	3,820
– Net gain/(loss) from fair value adjustments	360	160
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	4,340	3,980

(b) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2019 and 2020 revaluations were based on independent assessments made by Scott Fullarton Valuations Pty Ltd (FAP)

(c) Contractual obligations at reporting date (2019 only)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Investment properties (continued)

Refer to Note 20 for disclosures relating to any capital and service obligations that have been contracted.

\$ '000	2020	2019
(d) Leasing arrangements – Council as lessor (2019 only)		
The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.		
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:		
Within 1 year	–	337
Later than 1 year but less than 5 years	–	279
Total minimum lease payments receivable	–	616

Council has three properties classified as Investment properties.

Shop C1A, 1-17 Elsie Street Burwood has three year lease plus a three year option. Rental is paid Monthly with a fixed yearly percentage lease increase.

Shop C1B 1-17 Elsie Street Burwood has a five year lease. Rental is paid Monthly with a fixed percentage yearly lease increase.

Shops C2 & C3, 1-17 Elsie Street Burwood have two year lease plus two, five year options. Rental is paid Monthly with a fixed yearly percentage lease increase.

(e) Investment property income and expenditure – summary (2019 only)**Rental income from investment property:**

– Minimum lease payments	–	324
Net revenue contribution from investment property	–	324

plus:

Fair value movement for year	–	160
Total income attributable to investment property	–	484

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Opening values at 1 July		
Gross book value	2,670	2,389
Accumulated amortisation	(2,339)	(2,120)
Net book value – opening balance	331	269
Movements for the year		
– Other movements	322	436
– Purchases	160	281
– Amortisation charges	(161)	(218)
Closing values at 30 June		
Gross book value	2,316	2,670
Accumulated amortisation	(1,986)	(2,339)
Total software – net book value	330	331
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	330	331

Accounting policy for intangible assets**IT development and software**

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

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Note 13. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
(a) Contract assets		
Other	539	–
Total Contract assets	539	–
Total unrestricted assets	539	–
Total contract assets	539	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities (continued)

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	2,626	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	212	–
Total grants received in advance		2,838	–
User fees and charges received in advance:			
Other		833	–
Total user fees and charges received in advance		833	–
Total contract liabilities		3,671	–

Notes

(i) Council has received funding to construct assets including sporting facilities and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

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

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Internally restricted assets		
Contract Liabilities	3,671	–
Contract liabilities relating to internally restricted assets	3,671	–
Total contract liabilities relating to restricted assets	3,671	–
Total contract liabilities	3,671	–

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	702
Operating grants (received prior to performance obligation being satisfied)	28
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	730

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities (continued)

capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

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

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

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

Note 14. Leases

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

(i) Council as a lessee

Council has leases over a range of assets including land and buildings, vehicles, machinery and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases**Vehicles**

Council has entered into a Domestic Waste contract for the service of the collection of Residential waste throughout the Burwood Local Government area. As part of the Domestic Waste collection service, four (4) vehicles are leased with lease terms of seven (7) years; the lease payments are fixed during the lease term and there is generally no renewal option.

Office and IT equipment

Council leases office and IT equipment which are generally for low value assets, except for significant items such as photocopiers. Council currently leases a Folding Machine, the lease expires on 30 April 2023 with no renewal option, the payments are fixed.

\$ '000	Plant & Equipment	Office Equipment	Total
Opening balance at 30 June 2019	-	-	-
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	-	14	14
Additions to right-of-use assets	1,500	-	1,500
Depreciation charge	(214)	(4)	(218)
RIGHT OF USE ASSETS	1,286	10	1,296

\$ '000	2020 Current	2020 Non-current
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(b) Lease liabilities

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

\$ '000	2020 Current	2020 Non-current
Lease liabilities	206	1,107
<u>TOTAL LEASE LIABILITIES</u>	<u>206</u>	<u>1,107</u>

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	206	1,107	–	1,313	1,313

\$ '000	2020 Current	2020 Non-current
(ii) Lease liabilities relating to restricted assets		
Total lease liabilities relating to unrestricted assets	206	1,107
<u>Total lease liabilities</u>	<u>206</u>	<u>1,107</u>

\$ '000	2020
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(c) Income Statement

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

Interest on lease liabilities	38
Depreciation of right of use assets	218
Expenses relating to short-term leases	29
	<u>285</u>

(d) Statement of Cash Flows

Total cash outflow for leases	240
	<u>240</u>

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

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

Refer to Note 11.

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties to tenants under long-term leases with rentals payable yearly and monthly: these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note 11).

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

\$ '000	2020
(i) Operating lease income	
Investment properties	
Lease income relating to variable lease payments not dependent on an index or a rate	317
Other lease income	
Other	1,024
Total income relating to operating leases	1,341
(ii) Operating lease expenses	
Investment properties	
Direct operating expenses that generated rental income	1,230
Total expenses relating to operating leases	1,230

(iv) Maturity analysis of contractual lease income

Maturity analysis of future lease income receivable showing the undiscounted lease

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

\$ '000	2020
payments to be received after reporting date for operating leases:	
< 1 year	1,651
1–2 years	1,463
2–3 years	1,535
3–4 years	1,610
4–5 years	1,689
> 5 years	303
Total undiscounted contractual lease income receivable	8,251

Accounting policy

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	2,192	–	2,048	–
Goods and services – capital expenditure	2,272	–	1,660	–
Prepaid rates	303	–	–	–
Accrued expenses:				
– Borrowings	24	–	24	–
– Salaries and wages	1,200	–	629	–
– Other expenditure accruals	618	–	360	–
Security bonds, deposits and retentions	4,446	–	4,373	–
Other	14	–	18	–
Total payables	11,069	–	9,112	–
Income received in advance (2019 only)				
Payments received in advance	–	–	967	–
Total income received in advance	–	–	967	–
Borrowings				
Loans – secured ¹	721	5,487	690	6,208
Total borrowings	721	5,487	690	6,208
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>11,790</u>	<u>5,487</u>	<u>10,769</u>	<u>6,208</u>

(1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Domestic waste management	657	–	202	–
Payables and borrowings relating to externally restricted assets	657	–	202	–
Total payables and borrowings relating to restricted assets	657	–	202	–
Total payables and borrowings relating to unrestricted assets	11,133	5,487	10,567	6,208
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>11,790</u>	<u>5,487</u>	<u>10,769</u>	<u>6,208</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

\$ '000	2020	2019
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Payables – security bonds, deposits and retentions	2,736	2,933
Total payables and borrowings	2,736	2,933

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19	Cash flows	as at 30/06/20
	Opening Balance		Closing balance
Loans – secured	6,898	(690)	6,208
Lease liabilities	–	1,313	1,313
TOTAL	6,898	623	7,521

\$ '000	as at 30/06/18	Non-cash changes		as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Closing balance
Loans – secured	6,494	(596)	1,000	6,898
TOTAL	6,494	(596)	1,000	6,898

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

(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Credit cards/purchase cards	50	50
Total financing arrangements	50	50

Drawn facilities as at balance date:

– Credit cards/purchase cards	8	12
Total drawn financing arrangements	8	12

Undrawn facilities as at balance date:

– Credit cards/purchase cards	42	38
Total undrawn financing arrangements	42	38

Accounting policy for payables and borrowings

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	1,838	–	1,722	–
Long service leave	4,834	176	4,783	128
Other – RDO/TIL	171	–	393	–
ELE on-costs	133	3	124	2
Sub-total – aggregate employee benefits	6,976	179	7,022	130
TOTAL PROVISIONS	6,976	179	7,022	130

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

Domestic waste management	115	10	164	19
Provisions relating to externally restricted assets	115	10	164	19
Total provisions relating to restricted assets	115	10	164	19
Total provisions relating to unrestricted assets	6,861	169	6,858	111
TOTAL PROVISIONS	6,976	179	7,022	130

\$ '000	2020	2019
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(b) Current provisions not anticipated to be settled within the next twelve months

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	4,921	5,002
	4,921	5,002

(c) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Long service leave	ELE on-costs	Other employee benefits	
2020					
At beginning of year	1,722	4,911	126	393	7,152
Additional provisions	1,332	687	10	2	2,031
Amounts used (payments)	(1,216)	(588)	–	(224)	(2,028)
Total ELE provisions at end of year	1,838	5,010	136	171	7,155
2019					
At beginning of year	1,819	4,473	145	437	6,874
Additional provisions	1,114	989	–	167	2,270
Amounts used (payments)	(1,211)	(551)	(19)	(211)	(1,992)
Total ELE provisions at end of year	1,722	4,911	126	393	7,152

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity through a Joint Venture activity: "CivicRisk Mutual" comprising a number of Local Government Council's.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

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

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

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

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

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

Statement of Financial Position

(ii) AASB 15 and AASB 1058

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

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

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

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

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

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

Grants – capital

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Changes in presentation

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

- Movement of balances between receivables and contract assets.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	2,975
– Under AASB 1058	–
Total Contract liabilities	2,975

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	10,781	–	–	10,781	
Investments	47,250	–	–	47,250	
Receivables	3,461	539	–	4,000	
Contract assets	539	(539)	–	–	
Other	680	–	–	680	
Total current assets	62,711	–	–	62,711	
Current liabilities					
Payables	11,069	–	–	11,069	
Contract liabilities	3,671	–	(3,671)	–	
Lease liabilities	206	–	–	206	
Borrowings	721	–	–	721	
Provisions	6,976	–	–	6,976	
Total current liabilities	22,643	–	(3,671)	18,972	
Non-current assets					

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Infrastructure, property, plant and equipment	489,027	–	–	489,027	
Investment property	4,340	–	–	4,340	
Intangible assets	330	–	–	330	
Right of use assets	1,296	–	–	1,296	
Investments accounted for using equity method	15	–	–	15	
Total non-current assets	495,008	–	–	495,008	
Non-current liabilities					
Lease liabilities	1,107	–	–	1,107	
Borrowings	5,487	–	–	5,487	
Provisions	179	–	–	179	
Total Non-current liabilities	6,773	–	–	6,773	
Net assets	528,303	–	3,671	531,974	
Equity					
Accumulated surplus	250,563	–	(2,975)	247,588	
Revaluation reserves	277,740	–	–	277,740	
Council equity interest	528,303	–	(2,975)	525,328	
Total equity	528,303	–	(2,975)	525,328	

The adoption of AASB 15 and AASB 1058 has materially effected the statement of financial position for the year ended 30 June 2020. The adjustments are in relation to the reclassification of Council's lease liabilities and remeasurement of Grants during the 2018-19 year and were unexpended at 30 June 2019.

Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	30,448	–	–	30,448	
User charges and fees	8,453	–	–	8,453	
Other revenues	4,949	–	–	4,949	
Grants and contributions provided for operating purposes	3,250	–	(28)	3,222	
Grants and contributions provided for capital purposes	34,980	–	(703)	34,277	
Interest and investment income	1,398	–	–	1,398	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Fair value increment on investment properties	360	–	–	360	
Rental income	1,341	–	–	1,341	
Net share of interests in joint ventures and associates using the equity method	3	–	–	3	
Total Income from continuing operations	85,182	–	(731)	84,451	
Expenses from continuing operations					
Employee benefits and on-costs	20,403	–	–	20,403	
Borrowing costs	378	–	–	378	
Materials and contracts	16,882	–	–	16,882	
Depreciation and amortisation	8,058	–	–	8,058	
Other expenses	8,852	–	–	8,852	
Net losses from the disposal of assets	1,672	–	–	1,672	
Total Expenses from continuing operations	56,245	–	–	56,245	
Total Operating result from continuing operations	28,937	–	(731)	28,206	
Net operating result for the year	28,937	–	(731)	28,206	
Total comprehensive income	15,357	–	–	15,357	

The adoption of AASB 15 and AASB 1058 has not materially effected the statement of financial position for the year ended 30 June 2020. The adjustments are in relation to the remeasurement of Council's Grants during the 2018-19 year.

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	540,050	–	540,050
Contract liabilities	–	2,975	2,975
Total liabilities	24,129	2,975	27,104
Accumulated surplus	224,709	(2,975)	221,734
Revaluation reserves	291,212	–	291,212
Total equity	515,921	(2,975)	512,946

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**(iii) AASB 16 Leases****Council as a lessee**

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

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$232k at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 2.7%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	30
 Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	218
Add:	
Contracts not accounted for as operating lease commitments last year	14
Finance lease liabilities	–
Extension options reasonably certain to be exercised not included in the commitments note	–
Variable lease payments linked to an index	–
Other	–
Less:	
Short-term leases included in commitments note	–
Leases for low-value assets included in commitments note	–
Other	–
Lease liabilities recognised at 1 July 2019	232

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

the underlying asset.

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	232	232
Total assets	540,050	232	540,282
Payables – accrued interest on leases (30/6/2019)	–	–	–
Leases	–	232	232
Total liabilities	24,129	232	24,361
Accumulated surplus	224,709	–	224,709
Revaluation reserves	291,212	–	291,212
Total equity	515,921	–	515,921

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	10,781	1,941
Balance as per the Statement of Cash Flows		10,781	1,941
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		28,937	11,369
Adjust for non-cash items:			
Depreciation and amortisation		8,058	7,505
Net losses/(gains) on disposal of assets		1,672	487
Non-cash capital grants and contributions		(22,016)	–
Adoption of AASB 15/1058		(2,975)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment property		(360)	(160)
Share of net (profits)/losses of associates/joint ventures using the equity method		(3)	13
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		998	(208)
Increase/(decrease) in provision for impairment of receivables		36	(19)
Decrease/(increase) in other current assets		(190)	(34)
Decrease/(increase) in contract assets		(539)	–
Increase/(decrease) in payables		144	844
Increase/(decrease) in accrued interest payable		–	3
Increase/(decrease) in other accrued expenses payable		829	226
Increase/(decrease) in other liabilities		(595)	(898)
Increase/(decrease) in contract liabilities		3,671	–
Increase/(decrease) in provision for employee benefits		3	278
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		17,670	19,406
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		22,016	–
Total non-cash investing and financing activities		22,016	–

Note 19. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	3	(13)	15	120
Total	3	(13)	15	120

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

Joint arrangements

(i) Joint ventures

Each member of the relevant joint entity has an equal voting right to each other member while they insure through the entity.

Civic Risk Metro

Civic Risk Metro is an alliance of councils who have joined together to protect member assets and liabilities through establishing manageable levels of self insured risk and minimising the cost of insurance of public liability and professional indemnity risks.

Civic Risk Mutual

CivicRisk Mutual is an alliance of councils who have joined together to protect member assets and liabilities through establishing manageable levels of self insured risk and minimising the cost of insurance of property, motor and other classes of risks.

Both joint ventures have the same year end date as the council.

Both Civic Risk Metro and CivicRisk Mutual operate on insurance principles, charging annual contributions to cover expected insurance and other costs and returning surplus funds to members from time to time as determined by their respective Boards. Council does not make loans or advances to either joint venture.

Material joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2020	2019
CivicRisk Metro	Joint Venture	Equity Method	(49)	67
CivicRisk Mutual	Joint Venture	Equity Method	64	53
Total carrying amounts – material joint ventures			15	120

(b) Details

	Principal activity	Place of business
CivicRisk Metro	Local Government insurance coverage	Penrith
CivicRisk Mutual	Local Government insurance coverage	Penrith

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019
CivicRisk Metro	(0.4)%	0.5%	(0.4)%	0.5%	16.7%	16.7%
CivicRisk Mutual	0.9%	0.8%	0.9%	0.8%	5.3%	5.9%

(d) Summarised financial information for joint ventures

\$ '000	CivicRisk Metro		CivicRisk Mutual	
	2020	2019	2020	2019
Statement of financial position				
Current assets				
Cash and cash equivalents	9,281	254	6,177	1,813
Other current assets	5,781	9,900	5,924	7,215
Non-current assets	6,711	12,769	5,102	5,368
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	1,689	1,313	5,923	4,827
Other current liabilities	1,762	311	489	346
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	5,558	6,651	3,635	2,279
Net assets	12,764	14,648	7,156	6,944
Reconciliation of the carrying amount				
Opening net assets (1 July)	14,648	13,549	6,944	8,468
Profit/(loss) for the period	(1,884)	1,099	212	(1,524)
Closing net assets	12,764	14,648	7,156	6,944
Council's share of net assets (%)	(0.4)%	0.5%	0.9%	0.8%
Council's share of net assets (\$)	(49)	67	64	53
Statement of comprehensive income				
Income	1,845	2,116	14,474	11,320
Interest income	271	1,013	205	448
Other expenses	(2,405)	(2,030)	(14,468)	(13,292)
Profit/(loss) from continuing operations	(289)	1,099	211	(1,524)
Profit/(loss) for the period	(289)	1,099	211	(1,524)
Total comprehensive income	(289)	1,099	211	(1,524)
Share of income – Council (%)	(0.4)%	2.4%	0.9%	2.6%
Profit/(loss) – Council (\$)	1	27	2	(40)
Total comprehensive income – Council (\$)	1	27	2	(40)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

Accounting policy for joint arrangements

The council has determined that it has only joint ventures.

Joint ventures

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

Under this method, the investment is initially recognised 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 joint venture 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 purposes of the consolidated financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Commitments

\$ '000	2020	2019
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	6,774	250
Plant and equipment	–	268
Other – Structures	–	153
Total commitments	6,774	671
These expenditures are payable as follows:		
Within the next year	6,774	671
Total payable	6,774	671
Sources for funding of capital commitments:		
Future grants and contributions	1,082	131
Section 7.11 and 64 funds/reserves	4,928	272
Externally restricted reserves	–	268
Internally restricted reserves	764	–
Total sources of funding	6,774	671

Details of capital commitments

Buildings - Upgrade of the Henley Park Amenities Building

Building / Swimming Pool - Construction of a new 25 meter Learn to Swimming Pool and Building at Enfield Aquatic Centre

\$ '000	2020	2019
(b) Non-cancellable operating lease commitments (2019 only)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	–	8
Later than one year and not later than 5 years	–	22
Total non-cancellable operating lease commitments	–	30

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

- Office equipment.

- Contingent rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to finance and operating leases:

– All operating lease agreements are secured only against the leased asset.

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies

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 plans

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

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

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

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

Division B	1.9 times employee contributions for non-180 Point Members; Nil for 180 Point Members
Division C	2.5% salaries
Division D	1.64 times employee contributions

- For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$283,495.61. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$284,048.60.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$172,700 as at 30 June 2020.

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

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

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

* Plus promotional increases

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

(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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

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

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

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

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

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

(iii) Joint Venture

Council is a member of Mutual Management Services Ltd which is a company limited by guarantee and was created to provide administration services to the three CivicRisk self-insurance pools CivicRisk West (Westpool), CivicRisk Metro (Metropool) and CivicRisk (United Independent Pools).

Mutual Management Services operates as a mutual for the benefit of the member Councils which make up the combined CivicRisk membership.

Mutual Management Services was created to move the administration staff and responsibilities from CivicRisk West to a separate entity that provides the services to all three pools. The creation of the administration company was an internal structure change to assist with meeting commercial obligations rather than a change in the underlying operations.

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 June 2008.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. 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.

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	10,781	1,941	10,781	1,941
Receivables	3,461	4,495	4,000	4,495
Fair value through profit and loss				
Investments				
– 'Designated at fair value on initial recognition'	47,250	63,250	47,250	63,250
Total financial assets	61,492	69,686	62,031	69,686
Financial liabilities				
Payables	11,069	9,112	10,766	9,112
Loans/advances	6,208	6,898	6,208	6,898
Lease liabilities	1,313	–	1,313	–
Total financial liabilities	18,590	16,010	18,287	16,010

Fair value is determined as follows:

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

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 its independent advisers (Imperium Markets) before placing any cash and investments.

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 advisers (Imperium Markets).

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	580	580	(580)	(580)
2019				
Possible impact of a 1% movement in interest rates	652	652	(652)	(652)

(b) Credit risk

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

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

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

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	1,064	64	45	43	1,216
2019						
Gross carrying amount	–	697	19	28	36	780

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	1,532	129	7	539	211	2,418
Expected loss rate (%)	0.00%	0.00%	0.00%	18.24%	80.08%	11.05%
ECL provision	–	–	–	98	169	267
2019						
Gross carrying amount	2,997	87	526	28	214	3,852
Expected loss rate (%)	0.00%	0.00%	0.00%	9.53%	62.40%	3.54%
ECL provision	–	–	–	3	134	137

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	4,446	6,320	–	–	10,766	10,766
Loans and advances	4.06%	–	1,039	3,958	1,211	6,208	6,208
Total financial liabilities		4,446	7,359	3,958	1,211	16,974	16,974
2019							
Trade/other payables	0.00%	4,373	4,686	–	–	9,059	9,112
Loans and advances	4.11%	–	1,040	4,494	1,364	6,898	6,898
Total financial liabilities		4,373	5,726	4,494	1,364	15,957	16,010

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

Council's original financial budget for 2019-20 was adopted by the Council on 20/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	29,276	30,448	1,172	4% F
User charges and fees	9,687	8,453	(1,234)	(13)% U
The variance is attributed to the impact COVID-19 has had on Council's Aquatic Centre through the shutdown causing loss of income in admissions and the cancellation of the Learn to Swim Programme. Council also provided rental assistance to our tenants and businesses throughout the local area for the period April to June 2020, which had an effect on obtaining budgetary targets. In addition building and construction income along with parking income were down.				
Other revenues	4,393	4,949	556	13% F
The increase in income was attributed to increased policing of construction sites within the Burwood Town Centre and surrounding area, the impounding of abandoned shopping trolleys this income was not originally budgeted. In addition Council received insurance rebates on our Workers Compensation premiums along with environmental rebates.				
Operating grants and contributions	3,517	3,250	(267)	(8)% U
Capital grants and contributions	4,530	34,980	30,450	672% F
Section 7.4, 7.11 and 7.12 contributions were up on anticipated budget due to increased developments commencing within the Burwood Town Centre and Council taking control of a parcel of property and land (non-cash contribution) as part of a planning agreement. In addition Council received income from developers for works within the Burwood Town Centre and surrounding area along with additional RMS grant funding not originally budgeted.				
Interest and investment revenue	1,430	1,398	(32)	(2)% U
Fair value increment on investment property	–	360	360	∞ F
In accordance with Legislative requirements Council obtains Valuation of it's Investment property. Council does not budget for any increase or decrements of it's property.				
Rental income	1,572	1,341	(231)	(15)% U
The variance is attributed to the impact COVID-19 has had on Council's rental properties whereby Council provided rental assistance to our tenants which had an effect on obtaining budgetary targets.				
Joint ventures and associates – net profits	–	3	3	∞ F
Council does not budget for it's Joint Venture.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	21,693	20,403	1,290	6% F
Borrowing costs	333	378	(45)	(14)% U
Borrowing costs, or interest repaid on loans was over budgeted forecast due to the inception of AASB 16 Leases.				
Materials and contracts	11,653	16,882	(5,229)	(45)% U
Each year there is some expenditure in the Capital Budget that ultimately does not meet capitalisation guidelines and is expensed in Materials and Contracts. For 2019/20 this amounted to \$2.46m.				
The variance is attributed to contracted staff which were unbudgeted totalling \$1.98m some costs offset were found within employee Costs and Other Expenses. An amount of \$1.19m in consultant fee associated with the development of the Local Strategic Planning & Housing Strategy. There were other minor ups and downs within the area having no material effects.				
Depreciation and amortisation	7,335	8,058	(723)	(10)% U
Depreciation costs, was over budget to forecast mainly due to the inception of AASB 16 Leases - Right of Use Assets, along with two new Buildings coming on line late in 2017-18 financial year which was not taken into account when the budgets were formed and the continued renewal of Council's infrastructure assets.				
Other expenses	9,783	8,852	931	10% F
The variance is attributed through continued savings in Insurance Premiums and Excesses with further savings in the areas of Waste and Trade Disposal costs, Printing and Stationery, Telephone and Internet charges, Computer Licences and Support Warranties, Water and Gas charges, Advertising, Motor Vehicle Insurance and CTP. In addition there were savings within the Councillors expenses.				
Net losses from disposal of assets	-	1,672	(1,672)	∞ U
Council writes off infrastructures assets as part of it's renewal programme replacing the written down value of the assets with the current replacement costs of the renewal.				
Joint ventures and associates – net losses	-	-	-	∞ F
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	14,149	17,670	3,521	25% F
The variance between actual and budget can be attributed to increases in Rate income with new strata units coming online during the year associated with the Burwood Town Centre development, increased income through Shopping Trolley impounding fees and Workers Compensation premiums. There were also reductions in income associated with COVID-19 and Council granting rent relief for tenants and businesses. Council received unexpected Developer Contributions during the year. In addition there were savings in Employees Costs, however these savings were offset against increased Temporary Agency Staffing Levels, Consultancy and Legal costs.				
Cash flows from investing activities	(12,465)	(7,939)	4,526	(36)% F
The variance between actual and budget was attributed to more than expected sale of Council investments due to COVID-19 and an increase in Capital Works programme.				
Cash flows from financing activities	(708)	(891)	(183)	26% U
Variance attributed to borrowing costs, or interest paid due to the inception of AASB 16 Leases not budgeted.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property

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

	Date of latest valuation	Fair value measurement hierarchy		Total
		Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
2020				
Recurring fair value measurements				
Investment property				
Investment Property	30/06/20	4,340	–	4,340
Total investment property		4,340	–	4,340
Infrastructure, property, plant and equipment				
Plant and office equipment and furniture and fittings	30/06/20	–	19,590	19,590
Operational land	30/06/18	121,430	–	121,430
Community land	30/06/19	–	35,915	35,915
Land improvements – depreciable	30/06/16	–	12,580	12,580
Buildings – non-specialised	30/06/18	958	–	958
Buildings – specialised	30/06/18	–	93,887	93,887
Other structures	30/06/17	–	3,145	3,145
Roads	30/06/20	–	113,971	113,971
Footpaths and kerb and gutter	30/06/20	–	33,888	33,888
Drainage infrastructure	30/06/20	–	31,993	31,993
Swimming pools	30/06/18	–	3,081	3,081
Library books	30/06/16	–	379	379
Other assets	30/06/14	–	744	744
Openspace/Recreational	30/06/16	–	8,502	8,502
Other Road Assets	30/06/16	–	8,041	8,041
Total infrastructure, property, plant and equipment		122,388	365,716	488,104

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy			Total
	Date of latest valuation	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Investment property				
Investment Property	30/06/19	3,980	–	3,980
Total investment property		3,980	–	3,980
Infrastructure, property, plant and equipment				
Plant and office equipment and furniture and fittings	30/06/19	–	6,929	6,929
Operational land	30/06/18	121,430	–	121,430
Community land	30/06/18	–	41,312	41,312
Land improvements – depreciable	30/06/16	–	12,813	12,813
Buildings – non-specialised	30/06/18	1,047	–	1,047
Buildings – specialised	30/06/18	–	52,052	52,052
Other structures	30/06/17	–	2,995	2,995
Roads	30/06/16	–	140,410	140,410
Footpaths and kerb and gutter	30/06/16	–	38,439	38,439
Drainage infrastructure	30/06/16	–	28,650	28,650
Swimming pools	30/06/18	–	3,208	3,208
Library books	30/06/16	–	367	367
Other assets	30/06/14	–	236	236
Openspace/Recreational	30/06/16	–	7,692	7,692
Other Road Assets	30/06/16	–	7,155	7,155
Total infrastructure, property, plant and equipment		122,477	342,258	464,735

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

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

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

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

Investment property

Council obtains independent valuations of its investment property on an annual basis and at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuation. The best evidence of fair value is the current price in an active market for similar assets. The investment property valuation is included in level 2 of the hierarchy. The key unobservable input to the valuation is the price per square metre.

The fair value of the investment property is determined by an independent, qualified valuer on an annual basis who has experience in the location of the property. The Council reviews the valuation report and discusses significant movements with the valuer. As at 30 June 2020 the valuation of the investment property was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

There was a change to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last comprehensive valuation was undertaken at 30 June 2018 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144. As at 30 June 2020 Scott Fullarton undertook a sample assessment of Council's buildings and a no material differences in value were noted.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal.

Buildings Non-Specialised

Buildings were valued by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144 in June 2018 using the cost approach. As at 30 June 2020 Scott Fullarton undertook a sample assessment of Council's buildings and a no material differences in value were noted. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. Non-Specialised buildings were classified as having been valued using Level 2 valuation inputs.

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment – Trucks, tractors, ride-on mowers, street sweepers, earthmoving equipment, mini vans and motor vehicles
- Office Equipment – Computer equipment, flat screen monitors, whiteboards, refrigerators etc
- Furniture & Fittings – Chairs, desks and display systems

The key unobservable inputs to the valuation are the remaining useful life and the residual value.

Community Land

Valuations of all Council's Community Land and Council managed land were based on either the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3.

Land Improvements – Depreciable

This asset class comprises land improvements such as gardens, mulched areas, wetlands, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the cost approach by experienced Council engineering staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

Buildings - Specialised

Buildings were valued by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144 in June 2018 using the cost approach. As at 30 June 2020 Scott Fullarton undertook a sample assessment of Council's buildings and a no material differences in value were noted. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. Specialised buildings were classified as having been valued using Level 3 valuation inputs. As at 30 June 2020 Scott Fullarton undertook a sample assessment of Council's buildings and a no material differences in value were noted.

Other Structures

This asset class comprises retaining walls, shade structures and filtration system and shed.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Roads

This asset class comprises the Road Carriageway and Suburb Markers. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. 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 on calculations carried out by JRA, Jeff Roorda Associates during 2020, utilising the detailed pavement information residing in Council's Asset Management System - "Assetic System".

The cost approach was utilised with inputs such as estimates pattern of consumption, asset condition and useful life requiring extensive professional judgement which 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.

Footpaths and Kerb & Gutter

Footpaths were valued by JRA, Jeff Roorda Associates during 2020 using the cost approach. Footpaths and Kerb & Gutter were segmented to match the adjacent road segment where possible and no further componentisation was undertaken. Footpaths and Kerb & Gutter were originally mapped and condition assessed using a combination of video condition assessment and physical inspection. Condition information is updated as changes in the network are observed through regular inspections.

Other Road assets

This asset class comprises Roundabouts, Speed humps, Traffic calming devices, Street Furniture, Bus Shelters and Fencing, These assets were valued by JRA, Jeff Roorda Associates during 2016 using the cost approach method utilising inputs such as estimated asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value.

Drainage Infrastructure

These 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. The Level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, 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. The Drainage system was valued by JRA, Jeff Roorda Associates during 2020 using the cost approach.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

Swimming Pools

Assets within this class comprise Council's Enfield Aquatic Centre. The indoor and outdoor pools at the aquatic centre was valued by Scott Fullarton Valuations Pty Ltd in June 2018 using the cost approach. As at 30 June 2020 Scott Fullarton undertook a sample assessment of Council's buildings and a no material differences in value were noted. The approach estimated the replacement cost for each pool by componentising its significant parts.

Inputs such as estimates of the pattern of consumption, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Other Open Space/Recreational Assets

Assets within this class comprise tennis courts and fencing, synthetic turf surfaces, barbeques, playground equipment, shade structures and soft fall, park furniture, park lighting, fitness equipment, bocce courts, gazebos and signage which were valued by Jeff Roorda and Associates in June 2016 using the cost approach method.

Inputs such as estimates of the pattern of consumption, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value.

During the financial year Council received Grant Funding for Blair Park included Flood Lighting, Playground, Picnic Shelters, Fencing and park Seating. Also during the year Council replaced Sports Field Lighting, Cricket Practice Nets, Shelters and BBQ's and Exercise Equipment at Henley Park and one Playground at Sanders Reserve. Costs to build were current costs and the written down values of those assets replaced were written off.

Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Other Assets

This asset class comprises all other assets which do not fall into the above asset classes ie, Planter Boxes, Hanging Baskets.

Non-current assets classified as 'held for sale'

Council does not have assets classified as "held for sale".

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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

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

\$ '000	Investment property	Plant and Equipment	Operational Land	Community Land	Land Improvement – depreciable
2019					
Opening balance	3,820	6,492	121,430	36,583	12,908
Purchases (GBV)	–	2,204	–	–	219
Disposals (WDV)	–	(397)	–	–	(31)
Depreciation and impairment	–	(1,369)	–	–	(285)
Fair value adjustment	160	–	–	4,728	–
Closing balance	3,980	6,930	121,430	41,311	12,811
2020					
Opening balance	3,980	6,930	121,430	41,312	12,813
Purchases (GBV)	–	14,645	–	1,150	67
Disposals (WDV)	–	(522)	–	–	(18)
Depreciation and impairment	–	(1,463)	–	–	(282)
Fair value adjustment	360	–	–	(6,547)	–
Closing balance	4,340	19,590	121,430	35,915	12,580

\$ '000	Buildings	Other structures	Other road assets	Open Space / Recreational	Roads
2019					
Opening balance	52,296	2,987	6,756	6,807	140,763
Purchases (GBV)	2,141	125	697	1,473	2,205
Disposals (WDV)	(23)	–	(91)	(251)	(568)
Depreciation and impairment	(1,315)	(117)	(207)	(338)	(1,989)
Closing balance	53,099	2,995	7,155	7,691	140,411
2020					
Opening balance	53,099	2,995	7,155	7,691	140,411
Purchases (GBV)	22,457	260	1,151	1,242	1,995
Disposals (WDV)	–	–	(42)	(52)	(350)
Depreciation and impairment	(1,494)	(110)	(223)	(379)	(2,007)
Fair value adjustment	20,783	–	–	–	(26,078)
Closing balance	94,845	3,145	8,041	8,502	113,971

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

\$ '000	Footpaths	Drainage	Swimming pool
2019			
Opening balance	37,057	27,848	3,326
Purchases (GBV)	3,396	1,500	11
Disposals (WDV)	(1,290)	(27)	–
Depreciation and impairment	(724)	(671)	(127)
Closing balance	38,439	28,650	3,210
2020			
Opening balance	38,439	28,650	3,209
Purchases (GBV)	2,123	756	–
Disposals (WDV)	(1,004)	(42)	–
Depreciation and impairment	(734)	(677)	(128)
Fair value adjustment	(4,936)	3,306	–
Closing balance	33,888	31,993	3,081
\$ '000	Library books	Other Assets	Total
2019			
Opening balance	344	444	459,861
Transfer to Intangible Assets (Note 11)	–	(269)	(269)
Purchases (GBV)	141	88	14,200
Disposals (WDV)	–	–	(2,678)
Depreciation and impairment	(118)	(27)	(7,287)
Fair value adjustment	–	–	4,888
Closing balance	367	236	468,715
2020			
Opening balance	367	236	468,717
Purchases (GBV)	142	561	46,549
Disposals (WDV)	–	(2)	(2,032)
Depreciation and impairment	(130)	(51)	(7,678)
Fair value adjustment	–	–	(13,112)
Closing balance	379	744	492,444

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 above table.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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.

	Valuation technique/s	Unobservable inputs
Investment properties		
Commercial Office and Retail	Qualified Valuer	<ul style="list-style-type: none"> • Estimated rental value (rate per square metre) • Rental Yield

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Operational Land	Qualified Valuer	• Price per square metre
Buildings – Non Specialised	Qualified Valuer	• Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value
Plant & Equipment, Office Equipment and Furniture & Fittings	Cost approach	• Gross Replacement Cost • Remaining useful life • Residual value
Community Land	Land values obtained from the NSW Valuer General	• Unimproved Capital Value (price per square metre)
Land Improvements – depreciable	Cost approach	• Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value
Buildings - Specialised	Qualified Valuer	• Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value
Other Structures	Cost approach	• Gross Replacement Cost • Asset Condition • Remaining useful life
Roads	Qualified Valuer	• Gross Replacement Cost • Asset Condition • Remaining useful life
Footpaths	Qualified Valuer	• Gross Replacement Cost • Asset Condition • Remaining useful life
Other Road Assets	Qualified Valuer	• Gross Replacement Cost • Asset Condition • Remaining useful life
Drainage Infrastructure	Qualified Valuer	• Gross Replacement Cost • Asset Condition • Remaining useful life
Swimming Pools	Qualified Valuer	• Gross Replacement Cost • Asset Condition • Remaining useful life
Library Books	Cost approach	• Gross Replacement Cost • Asset Condition • Remaining useful life
Other - Open Space / Recreational	Qualified Valuer	• Gross Replacement Cost • Asset Condition • Remaining useful life
Other Assets	Cost approach	• Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value

d. The valuation process for level 3 fair value measurements

Valuation process has been incorporated within 3 above.

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	975	1,200
Post-employment benefits	65	145
Other long-term benefits	46	20
Termination benefits	–	446
Total	1,086	1,811

(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.

There have been no transactions identified through the related party disclosure process indicating to be any significant disclosures from Key Management Persons during the year ended 30 June 2020.

(c) Other related party transactions

There were no other related party transactions identified through the related party disclosure process during the year ended 30 June 2020.

Note 26. Events occurring after the reporting date

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			as at 30/06/20				
	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)
\$ '000		Cash	Non-cash					
Traffic facilities	292	–	–	1	(161)	–	132	–
Parking	325	–	–	1	–	–	326	–
Burwood town centre	9,236	4,774	–	46	(8,139)	–	5,917	–
Burwood LGA	774	707	–	5	(347)	–	1,139	–
S7.11 contributions – under a plan	10,627	5,481	–	53	(8,647)	–	7,514	–
Total S7.11 and S7.12 revenue under plans	10,627	5,481	–	53	(8,647)	–	7,514	–
S7.4 planning agreements	8,632	3,869	22,016	45	(2,793)	–	9,753	–
Total contributions	19,259	9,350	22,016	98	(11,440)	–	17,267	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER - 94A New LEP

Traffic facilities	292	–	–	1	(161)	–	132	–
Parking	325	–	–	1	–	–	326	–
Burwood town centre	9,236	4,774	–	46	(8,139)	–	5,917	–
Burwood LGA	774	707	–	5	(347)	–	1,139	–
Total	10,627	5,481	–	53	(8,647)	–	7,514	–

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts	Indicator	Prior periods			Benchmark
	2020	2020	2019	2018	2017	
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(4,734)	(9.50)%	3.38%	6.96%	5.58%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	49,839					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	46,589	54.93%	77.79%	71.91%	83.95%	>60.00%
Total continuing operating revenue	84,819					
3. Unrestricted current ratio						
Current assets less all external restrictions	42,086	2.96x	4.67x	4.90x	4.43x	>1.50x
Current liabilities less specific purpose liabilities	14,214					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3,702	2.92x	10.16x	13.49x	12.40x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,269					
5. Rates, annual charges, interest and extra charges outstanding percentage						
Rates, annual and extra charges outstanding	1,305	4.16%	2.90%	2.61%	2.45%	<5.00%
Rates, annual and extra charges collectible	31,379					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	36,781	8.34 mths	10.47 mths	10.77 mths	11.40 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	4,409					

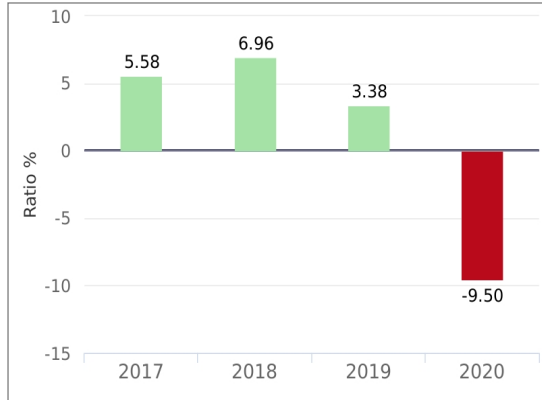
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

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

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio (9.50)%

Council's operating performance ratio has reduced substantially during the year due to increased expenditure reliance on consultants and temporary staffing contracts and the effect of Covid 19 on Council's income streams.

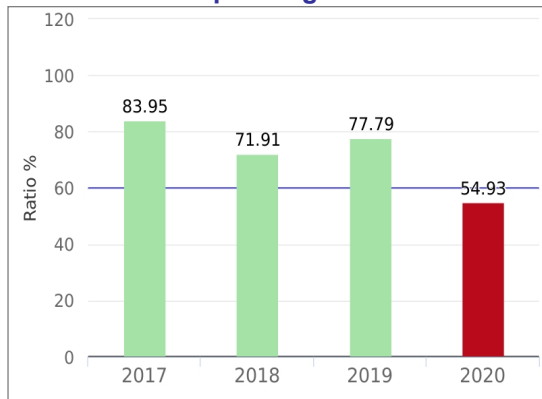
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 54.93%

The ratio has fallen due to the large amount of \$7.12 contributions received during the year along with the effects of Covid 19 on Council's income streams over the 4th quarter of the year.

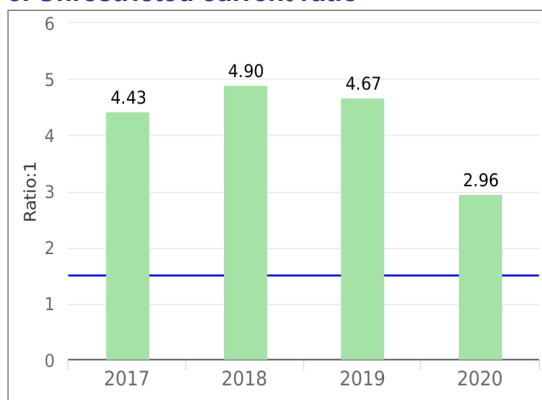
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 2.96x

Council's liquidity remains strong and well above the 1.5% benchmark.

Benchmark: — > 1.50x

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

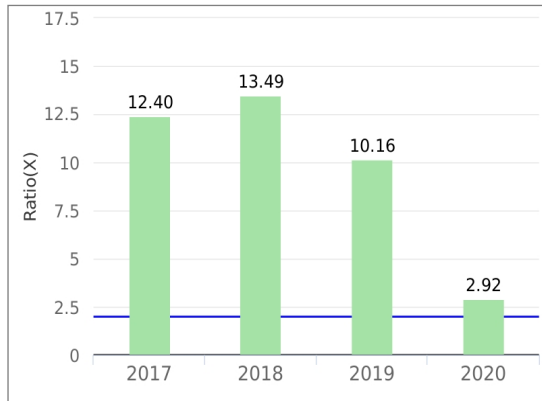
Ratio achieves benchmark

Ratio is outside benchmark

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 2.92x

Council's Debt service ratio has declined due to the effects of Covid 19 on Council's income streams and the adoption of AASB 16.

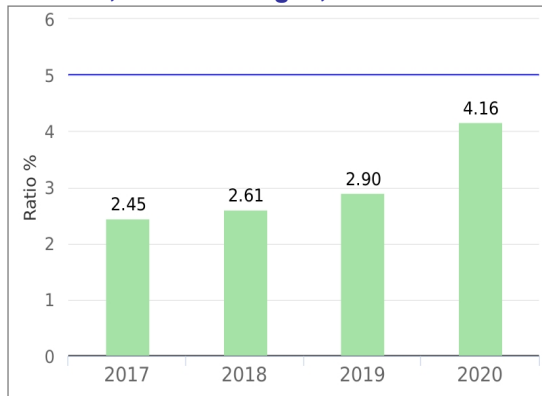
Benchmark: — > 2.00x

Ratio achieves benchmark

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

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 4.16%

Council actively pursues the recovery of Rates and Extra Charges however due to Covid 19 a slight increase has occurred during the year, however Council is still below the Local Government benchmark.

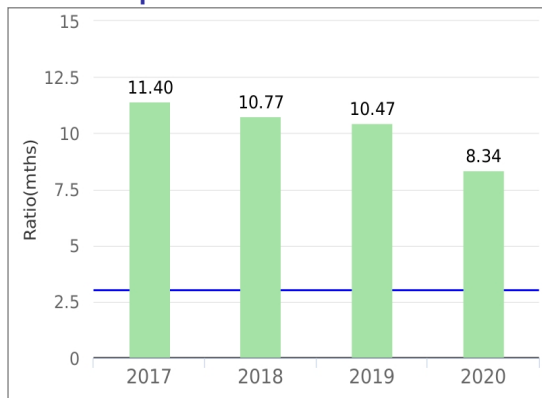
Benchmark: — < 5.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 8.34 mths

The ratio remains well in excess of the three month benchmark.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Financial review

\$ '000	2020	2019	2018	2017	2016
Key financial figures of Council over the past 5 years					
Inflows:					
Rates and annual charges revenue	30,448	28,600	26,933	24,927	22,888
User charges revenue	8,453	11,151	11,622	10,235	9,563
Interest and investment revenue (losses)	1,398	1,828	1,392	1,215	2,048
Grants income – operating and capital	3,897	6,949	4,652	4,217	3,786
Total income from continuing operations	85,182	60,681	63,075	49,219	50,962
Sale proceeds from I,PP&E	401	2,293	442	2,357	781
New loan borrowings and advances	–	1,000	1,000	–	–
Outflows:					
Employee benefits and on-cost expenses	20,403	19,649	17,885	17,462	17,634
Borrowing costs	378	345	325	335	354
Materials and contracts expenses	16,882	12,943	11,796	10,201	10,956
Total expenses from continuing operations	56,245	49,312	46,593	42,479	42,815
Total cash purchases of I,PP&E	24,180	13,550	12,994	10,311	17,700
Total loan repayments (incl. finance leases)	908	596	466	444	422
Operating surplus/(deficit) (excl. capital income)	(6,043)	1,367	2,318	2,786	(9)
Financial position figures					
Current assets	62,711	67,176	51,911	48,993	43,690
Current liabilities	22,643	17,791	17,059	17,109	16,588
Net current assets	40,068	49,385	34,852	31,884	27,102
Available working capital (Unrestricted net current assets)	(5,254)	1,012	1,109	(1,552)	(2,081)
Cash and investments – unrestricted	3,173	5,908	5,813	5,274	3,263
Cash and investments – internal restrictions	34,479	33,588	28,701	26,633	21,124
Cash and investments – total	58,031	65,191	57,187	46,077	39,449
Total borrowings outstanding (Loans, advances and finance leases)	6,208	6,898	6,494	5,960	6,404
Total value of I,PP&E (excl. land and earthworks)	568,573	466,495	460,630	449,094	439,889
Total accumulated depreciation	236,891	163,794	161,602	161,432	159,098
Indicative remaining useful life (as a % of GBV)	58%	65%	65%	64%	64%

Source: published audited financial statements of Council (current year and prior year)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30. Council information and contact details

Principal place of business:

2 Conder Street
Burwood NSW 2134

Mailing address:

PO Box 240
Burwood NSW 1805

Telephone: 02 9911 9911

Facsimile: 02 9911 9900

Opening hours:

8.30am to 4.45pm
Monday to Friday

Internet: www.burwood.nsw.gov.au

Email: council@burwood.nsw.gov.au

Officers

Tommaso Briscese
General Manager

Wayne Armitage
Responsible Accounting Officer

Tanya Whitmarsh
Public Officer

Auditors

Audit Office of New South Wales
Level 19, Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Elected members

Councillor Faker
Mayor

Councillors

Councillor Furneaux-Cook
Councillor Chan
Councillor Crichton
Councillor Del Duca
Councillor Dixit
Councillor Mannah

Other information

ABN: 84 362 114 428



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Burwood Council

To the Councillors of Burwood Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

I 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 Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 23 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

29 October 2020
SYDNEY



Mr John Faker
 Mayor
 Burwood Council
 PO Box 240
 Burwood NSW 1805

Contact: Weini Liao
 Phone no: (02) 9275 7432
 Our ref: D2025044/1702

29 October 2020

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2020
 Burwood Council**

I have audited the general purpose financial statements (GPFS) of Burwood Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	30.4	28.6	↑ 6.3
Grants and contributions revenue	38.2	13.4	↑ 185.1
Operating result from continuing operations	28.9	11.4	↑ 153.5
Net operating result before capital grants and contributions	(6.0)	1.4	↓ 528.5

The Council’s operating result from continuing operations (\$28.9 million including depreciation and amortisation expense of \$8.0 million) was \$17.5 million higher than the 2018–19 result. This was mainly due to an increase in capital grants of \$24.9 million offset by an increase in materials and contracts cost and depreciation expense.

The net operating result before capital grants and contributions (deficit of \$6.0 million) was \$7.4 million lower than the 2018–19 result. This was due to a decrease in user charges and fees revenue of \$2.7 million attributed to reduced business activities during COVID-19 pandemic, as well as an increase of \$4.0 million in materials and contracts costs.

Rates and annual charges revenue (\$30.4 million) increased by \$1.8 million (6.3 per cent) in 2019–20 due to:

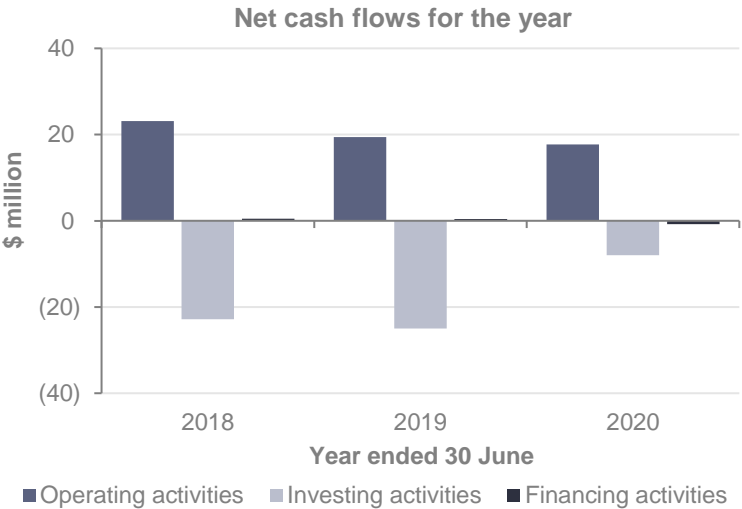
- the Council’s approved Special Rate Variation, which increased general rates revenue by 4.7 per cent in 2019–20
- annual charges also increased by approximately \$0.5 million as a result of increase in domestic waste management services.

Grants and contributions revenue (\$38.2 million) increased by \$24.8 million (5.4 times) in 2019–20 due to receipt of:

- in-kind capital contribution of \$22.0 million for Burwood office building and car park
- section 7.4 developer contributions of \$3.6 million.

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 \$8.8 million to \$10.8 million at the close of the year.
- Net cash used in investing activities has decreased by \$17.1 million. This is mainly due to increase from sale of investment securities by \$44.8 million offset by the increase in purchases investment securities of \$15.5 million and purchase of property, plant and equipment of \$10.6 million.
- Net cash provided by operating activities has decreased by \$1.7 million. The decrease relates to an increase in materials and contracts payments of \$6.1 million, which are *partially* offset by increase in rates and annual charges receipts of \$1.8 million and other receipts of \$2.6 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	20.4	25.7	• Externally restricted cash and investments are restricted in their use by externally imposed requirements.
Internal restrictions	34.4	33.6	
Unrestricted	3.2	5.9	• Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The internally restricted funds as at 30 June 2020 were higher as compared to the prior year due to increase in funds in various projects. • Unrestricted cash and investments was \$3.2 million, which is available to provide liquidity for day-to-day operations of the Council.
Cash and investments	58.0	65.2	

Debt

The Council repaid principal and interest loans of \$690,000 during the financial year. Total debt as at 30 June 2020 is \$6.2 million (2019: \$6.9 million).

PERFORMANCE

Performance measures

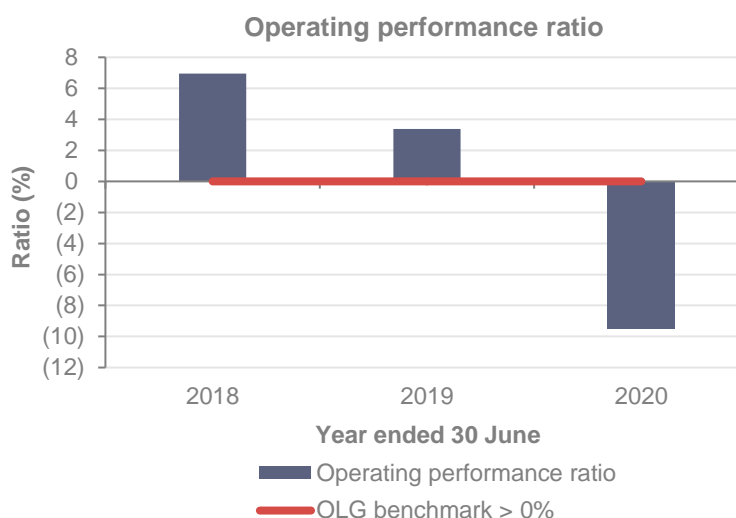
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

The Council did not meet the OLG benchmark for the 2019-20 reporting period.

Council's operating performance ratio reduced substantially during the year due to increase in expenditure on consultants and temporary staffing contracts. COVID-19 pandemic also had a negative impact on Council's own source revenue streams in the last quarter of the financial year.

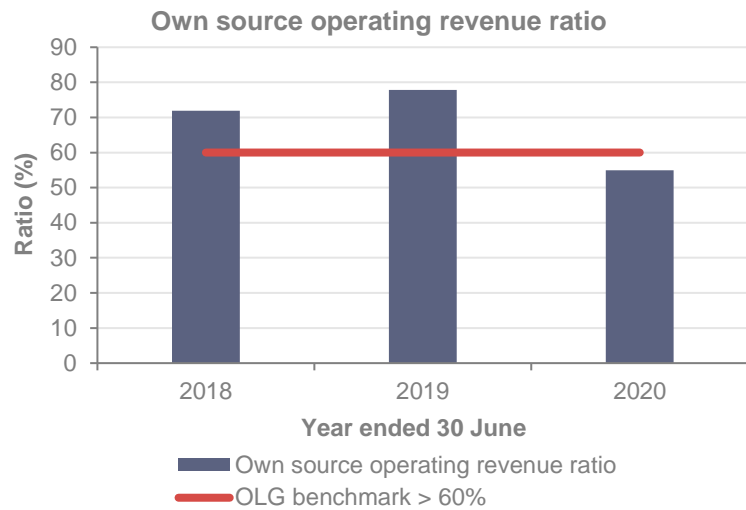


Own source operating revenue ratio

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.

The Council did not meet the OLG benchmark for the 2019-20 reporting period.

Own source operating ratio has reduced during the year due to negative impact of COVID-19 pandemic on Council's own source revenue in the last quarter of the financial year.

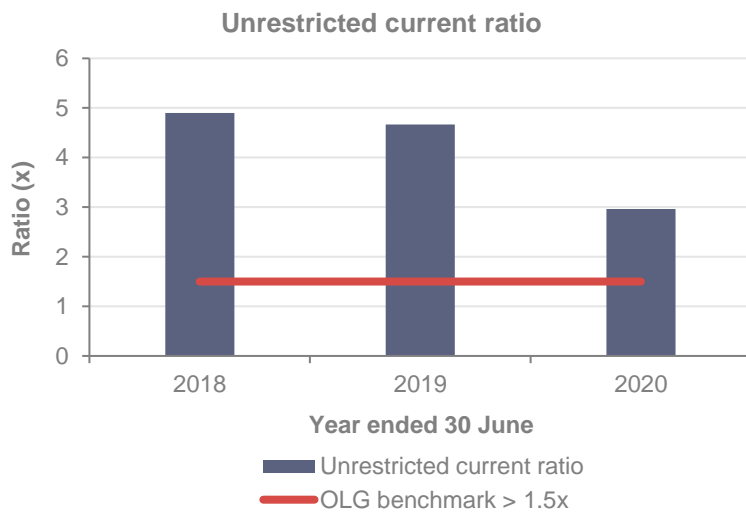


Unrestricted current ratio

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.

The Council has consistently exceeded the OLG benchmark for the 2019-20 reporting period and past years.

This ratio indicates that Council currently has \$2.96 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

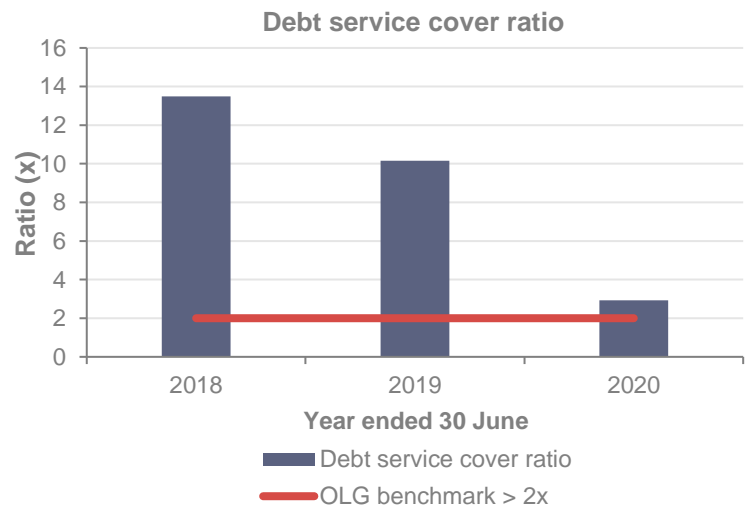


Debt service cover ratio

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

The Council exceeded the OLG benchmark for the 2019-20 reporting period.

Council appears to be effectively monitoring its liquidity levels to ensure it can meet its borrowing costs when they fall due. However, there was a significant decline in 2020 due to lower profit from operating activities.

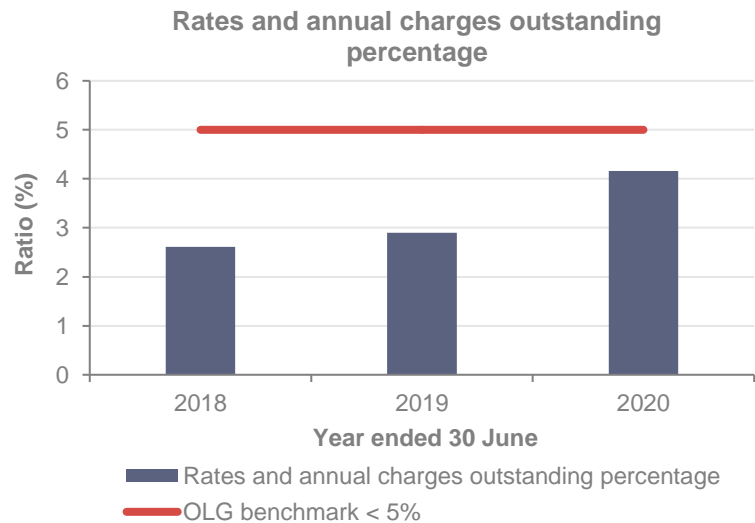


Rates and annual charges outstanding percentage

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

The Council has met the OLG benchmark for the 2019-20 reporting period for the past few years.

During 2020, this ratio has been impacted primarily by the economic conditions resulting from the COVID-19 pandemic.

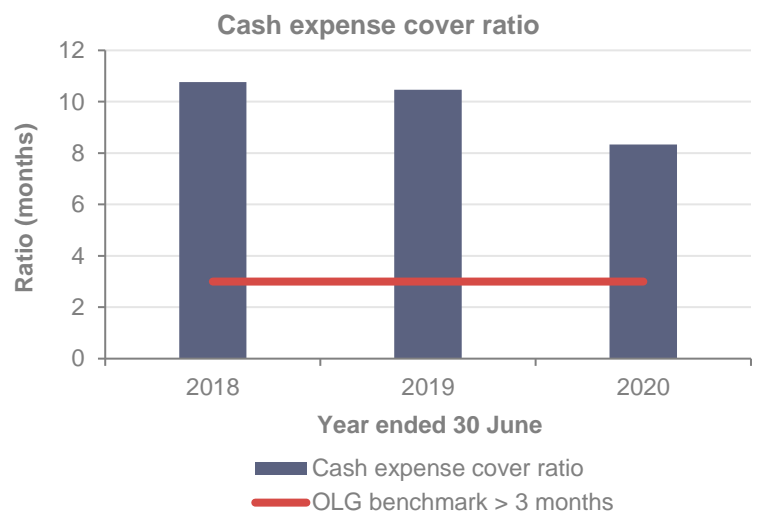


Cash expense cover ratio

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.

The Council exceeded the OLG benchmark for the current reporting period.

This indicates that Council had the capacity to cover 8.3 months of cash expenditure without additional cash inflows at 30 June 2020.



Infrastructure, property, plant and equipment renewals

Council spent \$7.0 million on asset renewals in 2019-20 compared to \$8.4 million in 2018-19. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.

A short-term benchmark of Council's strategic asset management is to assess the rate at which Council's assets are being renewed against the rate at which they are depreciating. Council's building and infrastructure renewals ratio of 91.7 per cent in 2019-20 was lower than the ratio of 115.0 per cent in the prior year. This indicated the Council's infrastructure renewal program in 2019-20 did not sufficiently renew assets at a greater rate than they were depreciating. Following factors impacted the assets renewal ratio in 2019-20:

- slightly lower capital renewal projects being undertaken in the 2019–20 financial year than originally planned as per the budget
- depreciation expense for building and infrastructure increased by \$0.3 million in 2019-20.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council recognised a \$3.0 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 17.

AASB 16 'Leases'

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

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

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

The Council recognised right-of-use assets and lease liabilities of \$0.2 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 17.

Legislative compliance

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

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

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



Weini Liao
Director

Delegate of the Auditor-General for New South Wales

cc: Mr Tommaso Briscese, General Manager
Ms Sandra Mulder, Chair of Audit Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Burwood Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

*A well connected, sustainable and safe community that
embraces and celebrates its culture and diversity.*



Burwood inc. 1874
Burwood Burwood Heights Claydon Craydon Park Collier Street

Special Purpose Financial Statements
for the year ended 30 June 2020

Council has no business activities in the context of National Competition Policy

Burwood Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

*A well connected, sustainable and safe community that
embraces and celebrates its culture and diversity.*



Burwood inc. 1874
Burwood Burwood Heights Claydon Craydon Park Collier Strathmore

Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	24,061	22,454
Plus or minus adjustments ²	b	859	588
Notional general income	c = a + b	24,920	23,042
Permissible income calculation			
Special variation percentage ³	d	4.50%	4.70%
Plus special variation amount	h = d x (c + g)	1,121	1,083
Sub-total	k = (c + g + h + i + j)	26,041	24,125
Less valuation objections claimed in the previous year	m	(5)	(69)
Sub-total	n = (l + m)	(5)	(69)
Total permissible income	o = k + n	26,036	24,056
Less notional general income yield	p	26,034	24,061
Catch-up or (excess) result	q = o - p	2	(5)
Plus income lost due to valuation objections claimed ⁴	r	-	5
Carry forward to next year ⁶	t = q + r + s	2	-

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.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
Burwood Council

To the Councillors of Burwood Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Weini Liao
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

29 October 2020

SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost						
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	1	2	3
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000							
(a) Report on Infrastructure Assets - Values														
Buildings	Council Offices / Administration Centre	100	100	200	246	52,124	52,124	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
	Council Works Depot	600	600	150	147	480	2,390	0.0%	0.0%	0.0%	100.0%	0.0%		
	Council Public Halls	250	250	160	209	5,896	6,419	70.0%	30.0%	0.0%	0.0%	0.0%		
	Libraries	–	–	160	311	11,416	13,854	100.0%	0.0%	0.0%	0.0%	0.0%		
	Other Buildings	230	230	60	127	397	613	80.0%	20.0%	0.0%	0.0%	0.0%		
	Child Care Centres	50	50	70	18	3,180	5,291	0.0%	100.0%	0.0%	0.0%	0.0%		
	Amenities Buildings	80	80	80	127	2,826	5,763	20.0%	10.0%	70.0%	0.0%	0.0%		
	SES	100	100	–	6	208	998	0.0%	0.0%	100.0%	0.0%	0.0%		
	Council Houses	520	520	70	63	958	4,174	0.0%	17.0%	83.0%	0.0%	0.0%		
	Car Park	90	90	150	461	17,358	19,341	50.0%	50.0%	0.0%	0.0%	0.0%		
	Sub-total	2,020	2,020	1,100	1,715	94,845	110,967	73.7%	16.5%	7.7%	2.2%	0.0%		
Other structures	Other structures	200	200	250	603	3,145	3,179	60.0%	15.0%	15.0%	10.0%	0.0%		
	Sub-total	200	200	250	603	3,145	3,179	60.0%	15.0%	15.0%	10.0%	0.0%		
Roads	Other road assets	–	–	330	338	8,041	9,075	0.0%	11.0%	43.0%	27.0%	19.0%		
	Sealed Roads Surface	16,253	16,253	300	430	13,481	45,802	24.0%	26.0%	37.0%	10.0%	3.0%		
	Sealed Roads Structure	977	977	318	421	100,488	174,658	7.0%	29.0%	59.0%	5.0%	0.0%		
	Footpaths	–	–	594	1,356	16,505	35,164	2.0%	24.0%	73.0%	0.0%	1.0%		
	Kerb & Gutter	–	–	232	180	17,383	37,994	2.0%	38.0%	7.0%	17.0%	36.0%		
	Sub-total	17,230	17,230	1,774	2,725	155,900	302,693	8.2%	28.6%	50.3%	7.3%	5.7%		
Stormwater drainage	Stormwater Pipes	7,061	7,061	570	218	24,064	66,205	21.0%	40.0%	8.0%	8.0%	23.0%		
	Stormwater Pits and Grates	1,538	1,538	81	81	7,929	15,479	10.0%	28.0%	38.0%	11.0%	13.0%		
	Sub-total	8,599	8,599	651	299	31,993	81,684	18.9%	37.7%	13.7%	8.6%	21.1%		
Open space / recreational assets	Swimming pools	700	700	400	553	3,081	6,018	25.0%	45.0%	30.0%	0.0%	0.0%		
	Open space / Recreational	–	–	2,000	2,721	8,502	10,113	52.0%	25.0%	22.0%	1.0%	0.0%		
	Sub-total	700	700	2,400	3,274	11,583	16,131	41.9%	32.5%	25.0%	0.6%	0.0%		
TOTAL - ALL ASSETS		28,749	28,749	6,175	8,616	297,466	514,654	25.4%	27.4%	34.3%	6.2%	6.7%		

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

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	2019	Prior periods 2018	2017	Benchmark
Infrastructure asset performance indicators (consolidated) *						
Buildings and infrastructure renewals ratio ¹						
Asset renewals ²	7,049					
Depreciation, amortisation and impairment	5,752	122.55%	152.73%	170.63%	117.71%	>=100.00%
Infrastructure backlog ratio ¹						
Estimated cost to bring assets to a satisfactory standard	28,749					
Net carrying amount of infrastructure assets	297,466	9.66%	6.97%	7.42%	7.28%	<2.00%
Asset maintenance ratio						
Actual asset maintenance	8,616					
Required asset maintenance	6,175	139.53%	119.68%	120.42%	102.59%	>100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	28,749	5.59%	4.57%	5.03%	5.16%	
Gross replacement cost	514,654					

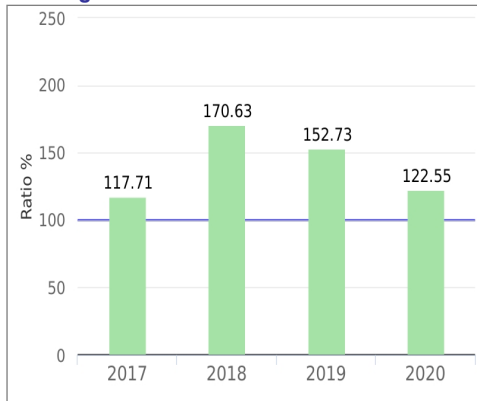
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

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

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

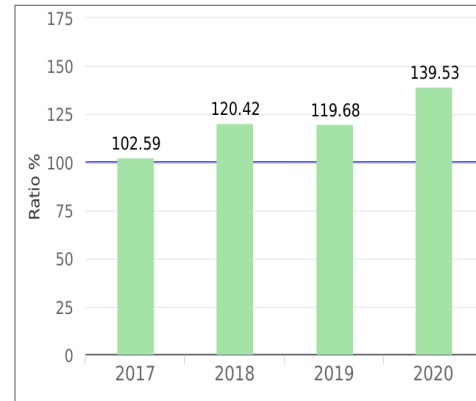
Commentary on result

19/20 ratio 122.55%

Council continues with its strategic asset management programme delivering another positive result for the year.

Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

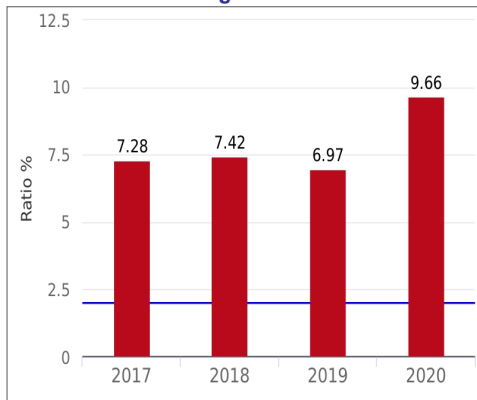
Commentary on result

19/20 ratio 139.53%

Council continues to effectively manage its assets, resulting in another positive outcome for the year.

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

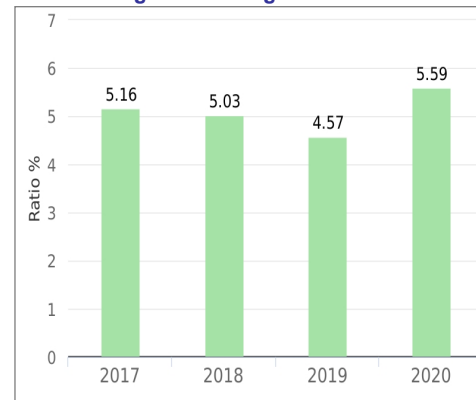
Commentary on result

19/20 ratio 9.66%

A review of the asset condition and risk assessment was undertaken during the year to determine the infrastructure backlog and has highlighted that the condition assessment for roads has shown a deterioration since the last update.

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

19/20 ratio 5.59%

Council continues with its strategic asset management programme effectively managing its assets.