

Bayside Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the period 10 Sep 2016 to 30 June 2017



Bayside Council

General Purpose Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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Overview

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

Council's 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).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 13/02/19. Council has the power to amend and reissue these financial statements.

Bayside Council

General Purpose Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Statement by Councillors and Management

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

Bayside Council was formed by way of the Local Government (Bayside) Proclamation 2016 which amalgamated the former Rockdale City Council and the former City of Botany Bay Council.

The former City of Botany Bay Council final reports (2015/16) were disclaimed by the Audit Office of NSW, due to the significant breakdowns in administrative, financial and governance internal controls as evidenced by the NSW Independent Commission Against Corruption (ICAC) Operation Ricco 2016.

Whilst significant work has been undertaken to develop and implement a new internal control environment and to address the ICAC report on the former City of Botany Bay Council within Bayside Council this cannot correct the past failings, nor address the disclaimed opinion by the Audit Office of NSW.

Due to the ongoing issues with the internal control environment over this reporting period, management of Bayside Council is unable to warrant the completeness and reliability of the financial statements as a whole as covered above.

Signed in accordance with a resolution of Council made on 13/02/2019.



Bill Saraviovski
Mayor



Liz Barlow
Councillor



Meredith Wallace
General Manager



Matthew Walker
Responsible accounting officer

Bayside Council

Income Statement

for the period 10 Sep 2016 to 30 June 2017

\$ '000	Notes	Actual 10/9/16 to 30/6/17
Income from continuing operations		
<i>Revenue:</i>		
Rates and annual charges	3a	19,822
User charges and fees	3b	15,561
Interest and investment revenue	3c	6,754
Other revenues	3d	16,502
Grants and contributions provided for operating purposes	3e,f	19,132
Grants and contributions provided for capital purposes	3e,f	51,796
<i>Other income:</i>		
Net gains from the disposal of assets	5	347
Net share of interests in joint ventures and associates using the equity method	19	560
Total income from continuing operations		130,474
Expenses from continuing operations		
Employee benefits and on-costs	4a	52,534
Borrowing costs	4b	257
Materials and contracts	4c	35,158
Depreciation and amortisation	4d	16,797
Impairment	4d	–
Other expenses	4e	14,949
Total expenses from continuing operations		119,695
Operating result from continuing operations		10,779
Discontinued operations		
Net profit/(loss) from discontinued operations	24	–
Net operating result for the period		10,779
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	29	1,591,780
Net result for the period		1,602,559
Net operating result attributable to Council		1,602,559
Net operating result attributable to non-controlling interests		–
Net operating result for the period before grants and contributions provided for capital purposes		(41,017)

Bayside Council

Statement of Comprehensive Income for the period 10 Sep 2016 to 30 June 2017

\$ '000	Notes	Actual 10/9/16 to 30/6/17
Net result for the year (as per Income Statement)		1,602,559
Other comprehensive income:		
Nil		
Total comprehensive income for the period		1,602,559
Total comprehensive income attributable to Council		1,602,559
Total comprehensive income attributable to non-controlling interests		–

Bayside Council

Statement of Financial Position as at 30 June 2017

\$ '000	Notes	Actual 2017
ASSETS		
Current assets		
Cash and cash equivalents	6a	51,619
Investments	6b	227,746
Receivables	7	18,685
Inventories	8	208
Other	8	685
Non-current assets classified as 'held for sale'	22	2,190
Total current assets		301,133
Non-current assets		
Investments	6b	55,388
Receivables	7	–
Infrastructure, property, plant and equipment	9	1,304,129
Investments accounted for using the equity method	19	4,401
Investment property	14	–
Intangible assets	25	3,487
Total non-current assets		1,367,405
TOTAL ASSETS		1,668,538
LIABILITIES		
Current liabilities		
Payables	10	29,378
Income received in advance	10	786
Borrowings	10	1,101
Provisions	10	23,672
Total current liabilities		54,937
Non-current liabilities		
Payables	10	–
Borrowings	10	4,912
Provisions	10	6,130
Total non-current liabilities		11,042
TOTAL LIABILITIES		65,979
Net assets		1,602,559
EQUITY		
Retained earnings	20	1,602,559
Revaluation reserves	20	–
Other reserves	20	–
Council equity interest		1,602,559
Non-controlling equity interests		–
Total equity		1,602,559

Bayside Council

Statement of Changes in Equity

for the period 10 Sep 2016 to 30 June 2017

10/9/16 to 30/6/17			Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
\$ '000	Notes							
Opening balance			-	-	-	-	-	-
a. Correction of prior period errors	20 (c)		-	-	-	-	-	-
b. Changes in accounting policies (prior year effects)	20 (d)		-	-	-	-	-	-
Revised opening balance			-	-	-	-	-	-
c. Net result for the year			1,602,559	-	-	1,602,559	-	1,602,559
Other comprehensive income			-	-	-	-	-	-
Total comprehensive income (c&d)			1,602,559	-	-	1,602,559	-	1,602,559
Equity – balance at end of the reporting period			1,602,559	-	-	1,602,559	-	1,602,559

Bayside Council

Statement of Cash Flows

for the period 10 Sep 2016 to 30 June 2017

\$ '000	Notes	Actual 10/9/16 to 30/6/17
Cash flows from operating activities		
Receipts:		
Rates and annual charges		66,775
User charges and fees		16,159
Investment and interest revenue received		6,520
Grants and contributions		72,193
Bonds, deposits and retention amounts received		1,537
Other		17,413
Payments:		
Employee benefits and on-costs		(52,808)
Materials and contracts		(41,011)
Borrowing costs		(229)
Other		(13,985)
Net cash provided (or used in) operating activities	11b	72,564
Cash flows from investing activities		
Receipts:		
Sale of investment securities		93,381
Sale of real estate assets		12,566
Sale of infrastructure, property, plant and equipment		1,684
Payments:		
Purchase of investment securities		(182,660)
Purchase of infrastructure, property, plant and equipment		(81,063)
Net cash provided (or used in) investing activities		(156,092)
Cash flows from financing activities		
Receipts:		
Nil		
Payments:		
Repayment of borrowings and advances		(990)
Net cash flow provided (used in) financing activities		(990)
Net increase/(decrease) in cash and cash equivalents		(84,518)
Plus: cash and cash equivalents – beginning of year	11a	–
Plus: cash transferred on amalgamation of councils	29	136,137
Cash and cash equivalents – end of the year	11a	51,619
Additional Information:		
plus: Investments on hand – end of year	6b	283,134
Total cash, cash equivalents and investments		334,753

Please refer to Note 11 for additional cash flow information

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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n/a – not applicable

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

The Local Government (Bayside) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of 2 former councils:

- Rockdale City Council
- City of Botany Bay Council

to Bayside Council as at 10 September 2016.

Pursuant to the Proclamation, financial statements have been prepared for the period commencing on the date of establishment of Bayside Council, being 10 September 2016 and ending on 30 June 2017.

Future reporting periods will be from 1 July to 30 June of the relevant years.

Assets and liabilities of Former Rockdale City Council and Former City of Botany Bay have been recognised by the Bayside Council fair value

Bayside Council has as a result of a comprehensive revaluation recognised former councils' assets at their fair value] as at the date of transfer 10 September 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided in Note 29.

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

(i) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which

have had any material impact on reported financial position, performance or cash flows.

(ii) Early adoption of standards

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

(iii) Historical cost convention

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

(iv) 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
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated tip remediation provisions.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below.

Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

(i) Rates, annual charges, grants and contributions

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

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.

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

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

expended on Council's operations during the current year.

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

(ii) User charges and fees

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

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

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

- General purpose operations

(ii) The Trust Fund

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

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

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Joint ventures/associates

Interests in joint ventures/associates are accounted for using the equity method in accordance with AASB128 Associates and Joint Ventures. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

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

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

(d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

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

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

(e) Impairment of assets

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

(f) Cash and cash equivalents

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

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

(g) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Inventory held for distribution

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

(iii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

(ii) Loans and receivables

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

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for

impairment. Receivables are generally due for settlement within 30 days.

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

Subsequent measurement

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

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

Impairment

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

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

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

(i) Assets carried at amortised cost

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

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

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

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

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(j) Fair value estimation – financial instruments

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

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

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

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

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

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

Externally valued:

- Operational land
- Buildings – specialised/non-specialised
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Swimming pools
- Other open space/recreational assets
- Other infrastructure

Internally valued:

- Community land
- Land under roads

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Other assets

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

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

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

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

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

Depreciation

Land is not depreciated.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

Plant and equipment

- Office equipment	5 years
- Office furniture	10 years
- Computer equipment	4 years
- Vehicles	7 years
- Heavy plant/road making equipment	7 years
- Other plant and equipment	7 years

Other equipment

- Playground equipment	5 to 15 years
- Benches, seats etc.	10 to 20 years

Buildings

- Buildings: Non-Specialised	69 years
- Buildings: Specialised	82 years

Stormwater assets

- Drains	87 years
- Culverts	50 to 80 years
- Flood control structures	80 to 100 years

Transportation assets

- Sealed roads: surface	25 to 35 years
- Sealed roads: structure	85 to 140 years
- Unsealed roads	20 years
- Bridge: concrete	97 years
- Bridge: other	50 years

- Road pavements	79 years
- Kerb, gutter and footpaths	64 years

Other infrastructure assets

- Bulk earthworks	Infinite
- Swimming pools	25 years
- Other open space/ recreational assets	10 to 50 years
- Other infrastructure	30 years
- Library Assets	5 years

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

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

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. 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.

Council holds no investment properties.

(m) 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.

(n) 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 draw down occurs. To the extent there is no evidence that it is probable that some or all of the

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

(o) 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.

(p) 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.

(q) Employee benefits

(i) Short-term obligations

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

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

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

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

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

(iii) Retirement benefit obligations

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Defined Benefit Plans

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

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

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

Defined Contribution Plans

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

(r) Land under roads

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

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.

(s) Self-insurance

Council does not self-insure.

(t) 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.

(u) 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.

(v) Rural fire service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including land, buildings, plant and vehicles.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(w) Goods and Services Tax (GST)

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

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

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

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

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

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

(y) Rounding of amounts

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

(z) Comparative figures

As new entity formed by Proclamation there are no comparatives disclosed in the 2016/17 financial reports for 2016/17.

(aa) Disclaimer

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).				
	Income from continuing operations	Expenses from continuing operations	Operating result from continuing operations	Grants included in income from continuing operations	Total assets held (current and non-current)
	Actual 10/9/16 to 30/6/17	Actual 10/9/16 to 30/6/17	Actual 10/9/16 to 30/6/17	Actual 10/9/16 to 30/6/17	Actual 2017
Governance	–	5,470	(5,470)	–	11,154
Administration	16,087	29,545	(13,458)	11,944	787,327
Public order and safety	4,034	5,052	(1,018)	–	–
Health	739	717	22	–	–
Environment	21,047	28,198	(7,151)	105	88,756
Community services and education	12,441	3,864	8,577	10,698	–
Housing and community amenities	2,549	9,363	(6,814)	568	–
Recreation and culture	26,601	23,075	3,526	397	283,122
Mining, manufacturing and construction	14,643	2,382	12,261	–	–
Transport and communication	18,553	7,351	11,202	1,032	493,778
Economic affairs	4,755	4,678	77	–	–
Total functions and activities	121,449	119,695	1,754	24,744	1,664,137
Share of gains/(losses) in associates and joint ventures (using the equity method)	560	–	560	–	4,401
General purpose income ¹	8,465	–	8,465	3,217	–
Operating result from continuing operations	130,474	119,695	10,779	27,961	1,668,538

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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

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

GOVERNANCE

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

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 10/9/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential		189
Business		(1,107)
Total ordinary rates		(918)
Special rates		
Local area rates		13
Infrastructure levy		(1)
Total special rates		12
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services		20,620
Stormwater management services		(11)
Section 611 charges		119
Total annual charges		20,728
TOTAL RATES AND ANNUAL CHARGES		19,822

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 10/9/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Waste management services (non-domestic)		922
Waste management services (non-rateable)		20
Total user charges		942
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67		467
Section 149 certificates (EPA Act)		311
Section 603 certificates		190
Town planning		49
Building consents and construction certificates		231
Building inspections		50
Development and planning consent fees		1,685
Health inspection and approvals fee		1,130
Other		45
Total fees and charges – statutory/regulatory		4,158
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Leaseback fees – Council vehicles		325
Library and art gallery		67
Parking fees		5
Restoration charges		1,514
Sundry sales		3
Swimming centres		463
Engineering inspections and other fees		126
Street furniture advertising fee		187
Permits and inspection fees		33
Design review panel		94
Advertising		510
Hire and usage fees		539
B/A school fees		478
Long Day Care		1,083
Golf course		267
Meals on wheels		125
Contract services		4,562
Other		80
Total fees and charges – other		10,461
TOTAL USER CHARGES AND FEES		15,561

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 10/9/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)		362
– Interest earned on investments (interest and coupon payment income)		6,204
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)		188
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>6,754</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)		362
General Council cash and investments		3,525
Restricted investments/funds – external:		
Development contributions		
– Section 94		2,867
Total interest and investment revenue recognised		<u>6,754</u>
(d) Other revenues		
Rental income – other council properties		1,395
Ex gratia rates		2,279
Fines – parking		3,385
Fines – other		731
Legal fees recovery – other		193
Commissions and agency fees		3
Diesel rebate		32
Insurance claim recoveries		4,804
Sales – general		211
Other credit card service fee		58
Contract Rebates		2,766
Rental income – halls and community facilities		102
Rental income – parks and sporting facilities		259
Other		284
<u>TOTAL OTHER REVENUE</u>		<u>16,502</u>

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	10/9/16 to 30/6/17 Operating	10/9/16 to 30/6/17 Capital
(e) Grants		
General purpose (untied)		
Financial assistance – general component	2,961	–
Pensioners' rates subsidies – general component	256	–
Total general purpose	3,217	–
Specific purpose		
Pensioners' rates subsidies:		
– Domestic waste management	105	–
Aged care	35	–
Community care	1,663	–
Heritage and cultural	38	–
Library	70	–
Library – per capita	289	–
Street lighting	568	–
Transport (other roads and bridges funding)	143	81
RTA roads and traffic	470	290
Other – road safety	–	48
New Council Implementation Funding	10,000	–
Stronger Communities Funding	1,000	9,000
Other	823	121
Total specific purpose	15,204	9,540
Total grants	18,421	9,540
Grant revenue is attributable to:		
– Commonwealth funding	5,020	–
– State funding	12,578	9,338
– Other funding	823	202
	18,421	9,540

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	10/9/16 to 30/6/17 Operating	10/9/16 to 30/6/17 Capital
(f) Contributions			
Developer contributions:			
(s93 & s94 – EP&A Act, s64 of the LGA):			
S 93F – contributions using planning agreements		–	767
S 94 – contributions towards amenities/services		–	34,991
S 94A – fixed development consent levies		–	5,994
Total developer contributions	17	–	41,752
Other contributions:			
Other		711	504
Total other contributions		711	504
Total contributions		711	42,256
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>		<u>19,132</u>	<u>51,796</u>

\$ '000	Actual 10/9/16 to 30/6/17
(g) Unspent grants and contributions	
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:	
Unexpended at the close of the previous reporting period (former Councils)	177,201
Add: grants and contributions recognised in the current period but not yet spent:	61,667
Less: grants and contributions recognised in a previous reporting period now spent:	(6,481)
Net increase (decrease) in restricted assets during the period	55,186
Unexpended and held as restricted assets	<u>232,387</u>
Comprising:	
– Specific purpose unexpended grants	20,095
– Developer contributions	212,292
	<u>232,387</u>

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 10/9/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages		40,782
Travel expenses		34
Employee leave entitlements (ELE)		7,089
Superannuation		1,386
Superannuation – defined contribution plans		2,038
Superannuation – defined benefit plans		1,342
Workers' compensation insurance		1,819
Fringe benefit tax (FBT)		124
Training costs (other than salaries and wages)		268
Occupational health and safety		48
Other		38
Total employee costs		54,968
Less: capitalised costs		(2,434)
TOTAL EMPLOYEE COSTS EXPENSED		52,534
Number of 'full-time equivalent' employees (FTE) at year end		703
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans		229
Total interest bearing liability costs expensed		229
(ii) Other borrowing costs		
Interest applicable on interest free (and favourable) loans to Council		28
Total other borrowing costs		28
TOTAL BORROWING COSTS EXPENSED		257

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 10/9/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables		4,175
Contractor and consultancy costs		28,281
Auditors remuneration ⁽¹⁾		824
Legal expenses:		
– Legal expenses: planning and development		947
– Legal expenses: other		738
Computer maintenance		1,684
Roads, parks and property maintenance		2,505
Recycling contract		2,013
Waste collection and disposal		13,485
Other		1
Total materials and contracts		54,653
Less: capitalised costs		(19,495)
TOTAL MATERIALS AND CONTRACTS		35,158
1. Auditor remuneration		
a. During the year, the following fees were incurred for services provided by the Auditor-General:		
(i) Audit and other assurance services		
– Audit and review of financial statements: Auditor-General		650
– Audit and review of financial statements: former City of Botany Bay Council		131
Remuneration for audit and other assurance services		781
Total Auditor-General remuneration		781
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:		
(i) Audit and other assurance services		
– Audit and review of financial statements: PWC (former Rockdale City Council)		43
Remuneration for audit and other assurance services		43
Total remuneration of other Council's Auditors		43
Total Auditor remuneration		824

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 10/9/16 to 30/6/17
(d) Depreciation, amortisation and impairment		
Plant and equipment		1,696
Office equipment		280
Furniture and fittings		109
Land improvements (depreciable)		460
Infrastructure:		
– Buildings – non-specialised		917
– Buildings – specialised		1,780
– Other structures		1,750
– Roads		5,893
– Bridges		66
– Footpaths		1,261
– Stormwater drainage		1,301
– Swimming pools		135
Other assets		
– Library books		577
Intangible assets	25	572
Total gross depreciation and amortisation costs		16,797
Less: capitalised costs		–
Total depreciation and amortisation costs		16,797
Impairment		
Nil		
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>16,797</u>

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 10/9/16 to 30/6/17
(e) Other expenses		
Advertising		592
Bad and doubtful debts		152
Bank charges		84
Contributions/levies to other levels of government		64
– Department of planning levy		289
– Emergency services levy (includes FRNSW, SES, and RFS levies)		389
– NSW fire brigade levy		1,305
Councillor expenses – councillors' fees		8
Councillors' expenses (incl. mayor) – other (excluding fees above)		5
Donations, contributions and assistance to other organisations (Section 356)		612
Electricity and heating		984
Insurance		1,716
Postage		279
Printing and stationery		744
Street lighting		2,122
Subscriptions and publications		266
Telephone and communications		781
Food and beverages		430
Fees and charges		762
Property expenses		676
Motor vehicle expenses		1,680
External hire charges		356
Other		653
<u>TOTAL OTHER EXPENSES</u>		<u>14,949</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment		
Proceeds from disposal – plant and equipment		1,684
Less: carrying amount of plant and equipment assets sold/written off		(1,337)
Net gain/(loss) on disposal		347
Financial assets		
Proceeds from disposal/redemptions/maturities – financial assets		93,381
Less: carrying amount of financial assets sold/redeemed/matured		(93,381)
Net gain/(loss) on disposal		–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>347</u>

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current
Cash and cash equivalents (Note 6a)			
Cash on hand and at bank		16,572	–
Cash-equivalent assets ¹			
– Deposits at call		35,047	–
Total cash and cash equivalents		51,619	–
Investments (Note 6b)			
– Long term deposits		227,746	–
– NCD's, FRN's (with maturities > 3 months)		–	55,388
Total investments		227,746	55,388
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		279,365	55,388

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'

51,619	–
---------------	----------

Investments

a. 'At fair value through the profit and loss'

– 'Held for trading'

55,388	–
--------	---

b. 'Held to maturity'

172,358	55,388
---------	--------

Investments

227,746	55,388
----------------	---------------

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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

\$ '000	2017 Actual Current	2017 Actual Non-current
Total cash, cash equivalents and investments	279,365	55,388
attributable to:		
External restrictions (refer below)	212,783	55,388
Internal restrictions (refer below)	65,382	–
Unrestricted	1,200	–
	279,365	55,388

10/9/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
-------------------------------	--	------------------------------	-----------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(D)	175,064	42,837	(5,609)	212,292
Specific purpose unexpended grants	(F)	2,137	18,830	(872)	20,095
Domestic waste management	(G)	12,181	16,254	(19,923)	8,512
Stormwater management	(G)	2,878	986	(1,188)	2,676
Local area funds		12,759	738	(233)	13,264
Infrastructure levy reserve		7,229	5,460	(3,798)	8,891
Community safety levy		530	267	(238)	559
Mascot main street		701	–	–	701
Mascot parking rate		1,181	–	–	1,181
External restrictions – other		214,660	85,372	(31,861)	268,171
Total external restrictions		214,660	85,372	(31,861)	268,171

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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

10/9/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Infrastructure replacement	100	–	–	100
Employees leave entitlement	6,154	–	(1,287)	4,867
Carry over works	–	3,642	–	3,642
Deposits, retentions and bonds	2,000	–	–	2,000
Plant and equipment	1,050	4,500	(525)	5,025
Office equipment and it reserve	2,059	1,270	(1,472)	1,857
Open space and s94 obligations	1,508	100	–	1,608
Public liability claims	346	160	(66)	440
Workers compensation	116	–	–	116
Council election	570	140	–	710
Strategic priorities	39,212	10,766	(15,518)	34,460
Street lighting hardware	597	–	(297)	300
Brighton bath amenities building	2,421	450	–	2,871
Arncliffe youth centre	2,970	–	–	2,970
Financial Assistance Grants in Advance	–	2,960	–	2,960
Contribution to Works	–	312	–	312
Asset replacement	200	–	–	200
Church Ave road widening	200	–	–	200
Domestic waste management	122	–	–	122
Mascot oval	80	–	–	80
O'Riordan St cables	210	–	–	210
Public works	224	–	–	224
Childrens Services	108	–	–	108
Total internal restrictions	60,247	24,300	(19,165)	65,382
TOTAL RESTRICTIONS	274,907	109,672	(51,026)	333,553

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

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

G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Bayside Council

Notes to the Financial Statements for the period 10 Sep 2016 to 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017	
		Current	Non-current
Purpose			
Rates and annual charges		6,615	–
Interest and extra charges		876	–
User charges and fees		2,603	–
Accrued revenues			
– Interest on investments		1,289	–
– Other income accruals		1,268	–
Government grants and subsidies		466	–
Net GST receivable		1,472	–
Other debtors (Insurance Settlement)		4,800	–
Other debtors		14	–
Total		19,403	–
Less: provision for impairment			
Rates and annual charges		(89)	–
Interest and extra charges		(66)	–
User charges and fees		(111)	–
Other debtors		(452)	–
Total provision for impairment – receivables		(718)	–
<u>TOTAL NET RECEIVABLES</u>		<u>18,685</u>	<u>–</u>
Externally restricted receivables			
Domestic waste management		1,795	–
Parking (Mascot)		38	–
Stormwater management		121	–
– Local Area Rates		46	–
– Mascot Main Street		39	–
– Unexpended Grants		434	–
Total external restrictions		2,473	–
Internally restricted receivables			
Nil			
Unrestricted receivables		16,212	–
<u>TOTAL NET RECEIVABLES</u>		<u>18,685</u>	<u>–</u>

Notes on debtors above:

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017	
		Current	Non-current
(a) Inventories			
(i) Inventories at cost			
Stores and materials		184	–
Trading stock		24	–
Total inventories at cost		208	–
(ii) Inventories at net realisable value (NRV)			
Nil			
<u>TOTAL INVENTORIES</u>		<u>208</u>	<u>–</u>
(b) Other assets			
Prepayments		685	–
<u>TOTAL OTHER ASSETS</u>		<u>685</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

(i) Other disclosures

(a) Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	IPP&E transferred from former Councils as at 10/9/2016			Asset movements during the reporting period						as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	2,337	–	2,337	6,923	586	–	–	–	–	9,846	–	9,846
Plant and equipment	13,473	5,272	8,201	3,931	–	(1,337)	(1,696)	–	–	14,967	5,868	9,099
Office equipment	1,455	498	957	93	–	–	(280)	–	–	1,547	777	770
Furniture and fittings	1,468	825	643	10	14	–	(109)	–	–	1,492	934	558
Land:												
– Operational land	328,596	–	328,596	–	–	–	–	–	(2,190)	326,406	–	326,406
– Community land	154,979	–	154,979	50	–	–	–	–	–	155,029	–	155,029
– Land under roads (post 30/6/08)	1,085	–	1,085	467	–	–	–	–	–	1,552	–	1,552
Land improvements – depreciable	27,392	7,790	19,602	644	–	–	(460)	–	–	28,036	8,250	19,786
Infrastructure:												
– Buildings – non-specialised	69,286	25,658	43,628	1,607	–	–	(917)	–	–	70,895	26,577	44,318
– Buildings – specialised	155,891	35,863	120,028	10,844	–	–	(1,780)	(7,173)	–	159,562	37,643	121,919
– Other structures	49,765	15,058	34,707	1,089	46	–	(1,750)	1,716	–	52,616	16,808	35,808
– Roads	481,460	116,016	365,444	2,829	–	–	(5,893)	678	–	484,966	121,908	363,058
– Bridges	7,992	876	7,116	–	–	–	(66)	–	–	7,992	942	7,050
– Footpaths	95,731	41,863	53,868	1,833	–	–	(1,261)	–	–	97,564	43,124	54,440
– Bulk earthworks (non-depreciable)	61,056	–	61,056	–	–	–	–	–	–	61,056	–	61,056
– Stormwater drainage	137,291	51,677	85,614	214	1,265	–	(1,301)	–	–	138,770	52,978	85,792
– Swimming pools	1,663	133	1,530	–	–	–	(135)	4,779	–	6,442	268	6,174
Other assets:												
– Library books	2,634	935	1,699	346	–	–	(577)	–	–	2,980	1,512	1,468
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,593,554	302,464	1,291,090	30,880	1,911	(1,337)	(16,225)	–	(2,190)	1,621,718	317,589	1,304,129

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

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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

\$ '000 Class of asset	Actual 2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management			
Plant and equipment	2,580	1,532	1,048
Total DWM	2,580	1,532	1,048
TOTAL RESTRICTED I,PP&E	2,580	1,532	1,048

Note 9c. Infrastructure, property, plant and equipment – current year impairments

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017	
		Current	Non-current
Payables			
Goods and services – operating expenditure		2,265	–
Accrued expenses:			
– Salaries and wages		943	–
– Other expenditure accruals		6,754	–
Security bonds, deposits and retentions		17,829	–
Builders service and plan first levy payable		348	–
Other		1,239	–
Total payables		29,378	–
Income received in advance			
Payments received in advance		786	–
Total income received in advance		786	–
Borrowings			
Loans – secured ¹		1,101	4,912
Total borrowings		1,101	4,912
Provisions			
Employee benefits:			
Annual leave		7,754	–
Sick leave		1,278	–
Long service leave		11,923	608
Gratuities		373	–
Sub-total – aggregate employee benefits		21,328	608
Public liability under excess		–	296
Remediation Provision		–	3,322
Land disposal tax		–	1,904
Settlement and legal costs		1,707	–
Other		637	–
Total provisions		23,672	6,130
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>		<u>54,937</u>	<u>11,042</u>

(i) Liabilities relating to restricted assets

There are no restricted assets (external or internal) applicable to the above liabilities.

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 15.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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

\$ '000

(ii) Current liabilities not anticipated to be settled within the next twelve months

Nil

Note 10b. Description of and movements in provisions

Class of provision	2016	10/9/16 to 30/6/17			Unused amounts reversed	Closing balance as at 30/6/17
	Opening balance (former Councils)	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting		
Annual leave	8,222	1,145	(2,636)	1,315	(291)	7,755
Sick leave	1,565	–	(131)	30	(186)	1,278
Long service leave	11,925	214	(1,345)	1,737	–	12,531
Gratuities	368	–	–	7	(3)	372
Onerous Contracts	4,339	–	–	–	(4,339)	–
Settlement and legal costs	2,398	291	(381)	–	–	2,308
Preparation of Financial Statements	1,925	–	(1,925)	–	–	–
Public Liability under excess	296	–	–	–	–	296
Other	–	5,263	–	–	–	5,263
TOTAL	31,038	6,912	(6,418)	3,089	(4,819)	29,802

- Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017
(a) Reconciliation of cash assets		
Total cash and cash equivalent assets	6a	51,619
Less bank overdraft	10	–
Balance as per the Statement of Cash Flows		51,619
(b) Reconciliation of net operating result to cash provided from operating activities		
Net result from Income Statement		10,779
Adjust for non-cash items:		
Depreciation and amortisation		16,797
Net losses/(gains) on disposal of assets		(347)
Non-cash capital grants and contributions		(1,782)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'		(188)
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)		28
Share of net (profits) or losses of associates/joint ventures		(560)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables		43,302
Increase/(decrease) in provision for doubtful debts		153
Decrease/(increase) in inventories		166
Decrease/(increase) in other assets		1,488
Increase/(decrease) in payables		148
Increase/(decrease) in other accrued expenses payable		1,187
Increase/(decrease) in other liabilities		2,629
Increase/(decrease) in employee leave entitlements		(144)
Increase/(decrease) in other provisions		(1,092)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		72,564
(c) Non-cash investing and financing activities		
S94 contributions 'in kind'		1,782
Total non-cash investing and financing activities		1,782
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Amounts utilised as at balance date:		
– Bank overdraft facilities		890
– Credit cards/purchase cards		160
Total financing arrangements utilised		1,050
(ii) Secured loan liabilities		
Loans are secured by a mortgage over future years rate revenue only.		

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings		6,798
Plant and equipment		1,276
Infrastructure Works		16,791
Information Management		4,206
Other		258
Total commitments		29,329
These expenditures are payable as follows:		
Within the next year		–
Later than one year and not later than 5 years		25,479
Later than 5 years		3,850
Total payable		29,329
Sources for funding of capital commitments:		
Unrestricted general funds		29,329
Total sources of funding		29,329
Details of capital commitments		
Completion of Council's capital works program which has commenced.		
(b) Finance lease commitments		
Nil		
(c) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year		28
Later than one year and not later than 5 years		2
Total non-cancellable operating lease commitments		30
b. Non-cancellable operating leases include the following assets:		
Contingent rentals may be payable depending on the condition of items or usage during the lease term.		
Conditions relating to operating leases:		
– All operating lease agreements are secured only against the leased asset.		
– No lease agreements impose any financial restrictions on Council regarding future debt etc.		

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Benchmark
Local government industry indicators – consolidated			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(42,112)	-54.28%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	77,583		
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	58,451	45.18%	>60.00%
Total continuing operating revenue ⁽¹⁾	129,379		
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	85,877	1.56x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	54,937		
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	(25,058)	-20.09x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,247		
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	7,336	9.86%	< 5%
Rates, annual and extra charges collectible	74,401		Metro <10% Rural
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	279,365	30.75	> 3 mths
Payments from cash flow of operating and financing activities	9,085	mths	

Notes

- (1) Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.
- (2) Refer Notes 6-8 inclusive.
Also excludes any real estate and land for resale not expected to be sold in the next 12 months.
- (3) Refer to Note 10(a).
- (4) Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

Fair value is determined as follows:

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

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
10/9/16 to 30/6/17				
Possible impact of a 10% movement in market values	5,539	5,539	(5,539)	(5,539)
Possible impact of a 1% movement in interest rates	2,289	2,289	(2,289)	(2,289)
2016				
Possible impact of a 10% movement in market values	3,298	3,298	(3,298)	(3,298)
Possible impact of a 1% movement in interest rates	2,653	2,653	(2,653)	(2,653)

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %		
Current (not yet overdue)	47%	72%
Overdue	53%	28%
	100%	100%
(ii) Ageing of receivables – value		
Rates and annual charges	Rates and annual charges	Other receivables
Current	2,477	9,811
< 1 year overdue	3,483	411
1 – 2 years overdue	562	407
2 – 5 years overdue	466	546
> 5 years overdue	368	872
	7,356	12,047
(iii) Movement in provision for impairment of receivables		2017
Balance at the beginning of the year (former Councils)		565
+ new provisions recognised during the year		153
Balance at the end of the year		718

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
10/9/16 to 30/6/17									
Trade/other payables	17,829	11,549	–	–	–	–	–	29,378	29,378
Loans and advances	–	1,366	1,294	1,159	843	843	508	6,013	6,013
Total financial liabilities	17,829	12,915	1,294	1,159	843	843	508	35,391	35,391
2016									
Trade/other payables	16,292	9,550	–	–	–	–	–	25,842	25,842
Loans and advances	–	1,483	1,366	1,294	1,159	843	2,343	8,488	6,975
Total financial liabilities	16,292	11,033	1,366	1,294	1,159	843	2,343	34,330	32,817

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

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

	2017	
	Carrying value	Average interest rate
Trade/other payables	29,378	0.00%
Loans and advances – fixed interest rate	6,013	3.56%
	<u>35,391</u>	

Note 16. Material budget variations

In accordance with the Supplementary Code 25, this note is not required for new Councils.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	5,550	238	–	98	–	–	5,886	–
Traffic facilities	34,905	2,147	–	603	(1,403)	–	36,252	–
Open space	68,441	17,861	–	1,135	(1,359)	–	86,078	6
Community facilities	14,086	2,104	–	233	(1,553)	–	14,870	–
Car parking	967	–	–	13	–	–	980	–
Drainage pollution control	2,512	285	–	34	–	–	2,831	(6)
Traffic and electricity facilities	120	–	–	–	–	–	120	–
Ramsgate commercial centre	1,437	19	–	19	–	–	1,475	–
Town centre program	3,420	825	–	50	–	–	4,295	–
Wolli creek	9,050	3,564	–	144	(1)	–	12,757	–
Bonar street precinct	4,497	15	1,265	60	–	–	4,572	–
Administration	8	17	–	–	(8)	–	17	–
Other	24,903	6,650	–	475	(353)	–	31,675	–
S94 contributions – under a plan	169,896	33,725	1,265	2,864	(4,677)	–	201,808	–
S94A levies – under a plan	3,131	5,995	–	–	(932)	–	8,194	–
Total S94 revenue under plans	173,027	39,720	1,265	2,864	(5,609)	–	210,002	–
S94 not under plans	11	–	–	–	–	–	11	–
S93F planning agreements	2,026	250	517	3	–	–	2,279	–
Total contributions	175,064	39,970	1,782	2,867	(5,609)	–	212,292	–

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN S94 (former Botany)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	5,550	238	–	98	–	–	5,886	–
Traffic facilities	33,996	1,389	–	597	(1,403)	–	34,579	–
Open space	30,879	5,769	–	589	(545)	–	36,692	–
Community facilities	9,054	1,577	–	164	(1,296)	–	9,499	–
Other	3,373	4,421	–	98	(8)	–	7,884	–
Total	82,852	13,394	–	1,546	(3,252)	–	94,540	–

CONTRIBUTION PLAN - MASCOT PRECINCT (former Botany)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	21,474	2,090	–	377	(345)	–	23,596	–
Total	21,474	2,090	–	377	(345)	–	23,596	–

CONTRIBUTION PLAN S94 PLAN 2016-2031 (former Botany)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	909	758	–	6	–	–	1,673	–
Open space	3,360	2,875	–	28	–	–	6,263	–
Community facilities	1,076	10	–	15	–	–	1,101	–
Other	56	139	–	–	–	–	195	–
Total	5,401	3,782	–	49	–	–	9,232	–

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Car Parking (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
West Arncliffe / Turrella Industrial	11	–	–	–	–	–	11	–
East Arncliffe Industrial Area	41	–	–	1	–	–	42	–
Rockdale - Industrial	1	–	–	–	–	–	1	–
Ramsgate Beach - Business	572	–	–	8	–	–	580	–
Bexley - Business	46	–	–	1	–	–	47	–
Kingsgrove - Business	9	–	–	–	–	–	9	–
Bexley North	84	–	–	1	–	–	85	–
Brighton - New	32	–	–	–	–	–	32	–
Rockdale - New	171	–	–	2	–	–	173	–
Total	967	–	–	13	–	–	980	–

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Drainage Pollution Control (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Wolli Creek	52	–	–	1	–	–	53	–
Bardwell Creek	62	–	–	1	–	–	63	–
Bonni Doon	67	–	–	1	–	–	68	–
Spring Street	85	–	–	1	–	–	86	–
Muddy Creek	183	–	–	2	–	–	185	–
Eve Street	36	–	–	–	–	–	36	–
Scarborough Ponds	28	–	–	–	–	–	28	–
Waradiel Creek	–	–	–	–	–	–	–	(6)
Bado-berong Creek	5	–	–	–	–	–	5	–
Goomun Creek	9	–	–	–	–	–	9	–
Whole of City	1,985	285	–	28	–	–	2,298	–
Total	2,512	285	–	34	–	–	2,831	(6)

Community facilities (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
General Community Facilities	3,623	34	–	48	–	–	3,705	–
Libraries	29	452	–	2	(257)	–	226	–
Child Care	304	31	–	4	–	–	339	–
Total	3,956	517	–	54	(257)	–	4,270	–

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Open space (Fromer Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	34,202	9,217	–	518	(814)	–	43,123	6
Total	34,202	9,217	–	518	(814)	–	43,123	6

Traffic and Electricity Facilities (Fromer Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Gertrude Street	120	–	–	–	–	–	120	–
Total	120	–	–	–	–	–	120	–

Ramsgate Commercial Centre (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Ramsgate	1,163	–	–	15	–	–	1,178	–
Sans Souci	274	19	–	4	–	–	297	–
Total	1,437	19	–	19	–	–	1,475	–

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Town Centre Program (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Arncliffe	145	37	–	2	–	–	184	–
Bexley	11	1	–	–	–	–	12	–
Bexley North	9	1	–	–	–	–	10	–
Brighton Le Sands	9	1	–	–	–	–	10	–
Kogarah	12	–	–	–	–	–	12	–
Rockdale	58	3	–	1	–	–	62	–
Sans Souci	73	2	–	1	–	–	76	–
Wolli Creek	2,280	631	–	34	–	–	2,945	–
City Wide	823	149	–	12	–	–	984	–
Total	3,420	825	–	50	–	–	4,295	–

Wolli Creek (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Flood and Stormwater Management	6,219	1,119	–	90	–	–	7,428	–
Roadworks, Traffic and Parking	955	1,869	–	25	(1)	–	2,848	–
Pedestrian / Cycle	1,776	375	–	26	–	–	2,177	–
Administration	100	201	–	3	–	–	304	–
Total	9,050	3,564	–	144	(1)	–	12,757	–

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Administration (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Whole of city (except Ramsgate)	8	17	–	–	(8)	–	17	–
Total	8	17	–	–	(8)	–	17	–

Bonar Street Precinct (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Administration	61	15	–	1	–	–	77	–
Local infrastructure	4,436	–	1,265	59	–	–	4,495	–
Total	4,497	15	1,265	60	–	–	4,572	–

S94A LEVIES– UNDER A PLAN

S94A (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A Levies	3,131	680	–	40	(932)	–	2,919	–
Total	3,131	680	–	40	(932)	–	2,919	–

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94A LEVIES– UNDER A PLAN

S94A (Former City of Botany Bay Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A Levies	–	5,315	–	53	–	–	5,368	–
Total	–	5,315	–	53	–	–	5,368	–

S94 CONTRIBUTIONS – NOT UNDER A PLAN

(Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Inter-allotment Drainage	11	–	–	–	–	–	11	–
Total	11	–	–	–	–	–	11	–

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER (former Rockdale)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A levies	3,131	-	-	-	-	-	3,131	-
Total	3,131	-	-	-	-	-	3,131	-

S94 CONTRIBUTIONS – NOT UNDER A PLAN

(former Rockdale)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Inter-allotment Drainage	11	-	-	-	-	-	11	-
Total	11	-	-	-	-	-	11	-

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contributions plans

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

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

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

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

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

(ii) CivicRisk Metro (formerly Metro Pool)

Council is a member of CivicRisk Metro, a joint venture of seven local councils in New South Wales.

It was established in 1990 to allow sharing of public liability and professional indemnity risks of its member councils.

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

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

(iii) CivicRisk Mutual (formerly United Independent Pools (UIP))

Council is a member of CivicRisk Mutual, a joint venture, incorporated in July 2005 by CivicRisk West (formerly West Pool) and CivicRisk Metro (formerly Metro Pool).

CivicRisk Mutual "pools" the Industrial Special Risk, commercial motor property damage, Councillors' Directors' and Officers'/Statutory Liability and Fidelity Guarantee/Crime/Cyber risks of its 17 member Councils. It also undertakes various other activities, including running risk management forums and the bulk purchase of certain other insurances.

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

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

(iv) StateCover Mutual 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.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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

(v) Other guarantees

Council has the following contract performance limited bank guarantee to:

Sydney Airport Corporation Ltd (\$400K)

2. Other liabilities

(i) Remediation

The Council as part of past Council operations may have remediation liabilities. While some provision has been made in the accounts for this, there is potential for further exposure to losses not already provided for.

(ii) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services. Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(iii) S94 plans

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

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

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

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

(iv) 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.

(v) ICAC investigation Operation Ricco

ICAC's investigation of allegations of fraud and corruption identified significant weakness in the former City of Botany Bay Council's internal controls. The systemic nature of the breakdown in governance may result in liabilities relating to past decisions or actions which are unknown at reporting date.

There is also potential future expenses relating to the legal recovery actions which may not be fully recoverable.

ASSETS NOT RECOGNISED:

(i) Legal recoveries of fraud

Legal recovery actions are being progressed against persons for recovery of monies identified by the ICAC Operation Ricco and by Council as fraud against the former City of Botany Bay Council. Outcomes cannot be reliably measured at time of reporting resulting in a contingent asset relating to legal recoveries and insurance settlements.

(ii) Legal actions

Council has provided for some legal settlements but is currently defending these legal claims which are potential contingent assets if successful.

(iii) 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.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 19. Interests in other entities

\$ '000

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

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

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

Controlled entities (subsidiaries)

Note 19(a)

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

Joint ventures and associates

Note 19(b)

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

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

Joint operations

Note 19(c)

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

Unconsolidated structured entities

Note 19(d)

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

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

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

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

	Council's share of net income Actual 10/9/16 to 30/6/17	Council's share of net assets Actual 2017
Joint ventures	560	4,401
Total	560	4,401

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

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

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

(b) Joint ventures and associates

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017
Civic Risk Mutual (United Independent Pools)	Joint Venture	Equity Method	489
Civic Risk Mutual (Metropool)	Joint Venture	Equity Method	3,912
Total carrying amounts – material joint ventures and associates			4,401

(b) Details

Name of entity	Principal activity	Place of business
Civic Risk Mutual (United Independent Pools)	Liability insurance & risk management	Penrith, NSW
Civic Risk Mutual (Metropool)	Liability insurance & risk management	Penrith, NSW

(c) Relevant interests and fair values

Name of entity	Quoted fair value 2017	Interest in outputs 2017	Interest in ownership 2017	Proportion of voting power 2017
Civic Risk Mutual (United Independent Pools)	N/A	8%	8%	6%
Civic Risk Mutual (Metropool)	N/A	34%	34%	14%

(d) Summarised financial information for joint ventures and associates

	Civic Risk Mutual (United Independent Pools) 2017	Civic Risk Mutual (Metropool) 2017
Statement of financial position		
Current assets		
Cash and cash equivalents	506	28
Other current assets	6,239	5,738
Non-current assets	5,889	18,168
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	2,890	1,443
Other current liabilities	423	150
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	2,830	10,730
Net assets	6,491	11,611

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates (cont'd)	Civic Risk Mutual (United Independent Pools)	Civic Risk Mutual (Metropool)
	10/9/16 to 30/6/17	10/9/16 to 30/6/17
Reconciliation of the carrying amount		
Opening net assets (former Councils)	7,585	11,054
Profit/(loss) for the period	(796)	2,189
Other adjustments to equity	(298)	(1,632)
Closing net assets	6,491	11,611
Council's share of net assets (%)	7.5%	33.7%
Council's share of net assets (\$)	489	3,912
Statement of comprehensive income		
Income	8,302	2,781
Interest income	584	1,089
Other expenses	(9,682)	(1,681)
Profit/(loss) from continuing operations	(796)	2,189
Profit/(loss) for period	(796)	2,189
Total comprehensive income	(796)	2,189
Share of income – Council (%)	5.2%	27.5%
Profit/(loss) – Council (\$)	(41)	601
Total comprehensive income – Council (\$)	(41)	601

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

None.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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

\$ '000	Notes	Actual 2017
(a) Retained earnings		
Movements in retained earnings were as follows:		
Balance at beginning of year (former Councils)		–
a. Changes in accounting policies (prior period effects)	20 (d)	–
b. Net result for the year		1,602,559
Balance at end of the reporting period		<u><u>1,602,559</u></u>

(b) Revaluation reserves

Council has no reportable equity reserves.

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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

\$ '000	2017 Current	2017 Non-current
(i) Non-current assets and disposal group assets		
Non-current assets 'held for sale'		
Land	2,190	–
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'	2,190	–

\$ '000	Assets 'held for sale' 2017	
(ii) Reconciliation of non-current assets 'held for sale'		
Opening balance (former Councils)	–	–
Plus new transfers in:		
– Assets 'held for sale'	–	2,190
Closing balance of 'held for sale' non-current assets and operations	–	2,190

Note 23. Events occurring after the reporting date

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

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

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

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

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

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

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

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

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 24. Discontinued operations

\$ '000

(i) Discontinued operations

Subject to a post balance date event, Council will cease to operate the Airport Business Unit from 30/09/2018.

This operation provided maintenance services for Sydney Airport and the majority of operating staff will transition to the new operator or be absorbed in Council's general business operation. There will be no sale proceeds for this operation as it was a service delivery operation.

Note 25. Intangible assets

\$ '000

Actual
2017

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

Intangible assets are as follows:

Opening values (former Councils):

Gross book value	4,588
Accumulated amortisation	(1,783)
Accumulated impairment	–
Net book value – opening balance (former Councils)	2,805

Movements for the year

– Purchases	1,254
– Amortisation charges	(572)

Closing values:

Gross book value (30/6)	5,842
Accumulated amortisation (30/6)	(2,355)
Accumulated impairment (30/6)	–

TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹

3,487

¹ The net book value of intangible assets represent:

– Software includes capitalised development costs being an internally generated intangible assets	3,487
	3,487

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has as a result of past operating activities has various sites situated within its LGA remediation the requirement to undertake restoration and remediation works.

Council has legal/public obligations to make restore, rehabilitate and reinstate a parcel of land and has included a provision for \$3,322k (Re Note 10a) for these works on land formerly under its care and control.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

– Further testing is being completed to confirm the extent and type of works required.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement

\$ '000

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

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

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

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

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

10/9/16 to 30/6/17	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	30/06/17	–	55,388	–	55,388
Total financial assets		–	55,388	–	55,388
Financial liabilities					
Interest free loans	30/06/17	–	418	–	418
Total financial liabilities		–	418	–	418
Infrastructure, property, plant and equipment					
Work in progress	30/06/17	–	9,846	–	9,846
Operational land	10/09/16	–	326,406	–	326,406
Plant and equipment	30/06/17	–	–	9,099	9,099
Office equipment	30/06/17	–	–	770	770
Furniture and fittings	30/06/17	–	–	558	558
Library books	30/06/17	–	–	1,468	1,468
Community land	10/09/16	–	–	155,029	155,029
Land improvements	30/06/17	–	–	19,786	19,786
Buildings (non-specialised)	10/09/16	–	–	44,318	44,318
Buildings (specialised)	10/09/16	–	–	121,919	121,919
Other structures	30/06/17	–	–	35,808	35,808
Roads	10/09/16	–	–	363,058	363,058
Bridges	10/09/16	–	–	7,050	7,050
Footpaths	10/09/16	–	–	54,440	54,440
Bulk Earthworks	10/09/16	–	–	61,056	61,056
Stormwater Drainage	10/09/16	–	–	85,792	85,792
Land under roads	10/09/16	–	–	1,552	1,552
Swimming Pools	10/09/16	–	–	6,174	6,174
Total infrastructure, property, plant and equipment		–	336,252	967,877	1,304,129

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

10/9/16 to 30/6/17	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Non-recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Land	10/09/16	–	2,190	–	2,190
Total NCA's classified as 'held for sale'		–	2,190	–	2,190

2016	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Financial assets				
Investments				
– 'Designated at fair value on initial recognition'	–	–	32,983	32,983
Total financial assets	–	–	32,983	32,983
Infrastructure, property, plant and equipment				
Work in Progress	–	2,337	–	2,337
Operational Land	–	328,596	–	328,596
Plant & Equipment	–	–	8,201	8,201
Office Equipment	–	–	957	957
Furniture & Fittings	–	–	643	643
Library Books	–	–	1,699	1,699
Community Land	–	–	154,979	154,979
Land Improvements	–	–	19,602	19,602
Buildings (non-specialised)	–	–	43,628	43,628
Buildings (specialised)	–	–	120,028	120,028
Other Structures	–	–	34,707	34,707
Roads	–	–	365,444	365,444
Bridges	–	–	7,116	7,116
Footpaths	–	–	53,868	53,868
Bulk Earthworks	–	–	61,056	61,056
Stormwater Drainage	–	–	85,614	85,614
Land Under Roads	–	–	1,085	1,085
Swimming Pools	–	–	1,530	1,530
Total infrastructure, property, plant and equipment	–	330,933	960,157	1,291,090

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

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

Bayside Council

Notes to the Financial Statements for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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

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

The fair valuation techniques Council has employed while utilising Level 1, Level 2 and level 3 inputs are as follows:

Level 1 measurements

Financial assets

The Council's financial assets relates to its investments in short term deposits, held to maturity and floating rate notes linked to the relevant investment period's (mid) Bank Bill Swap rates (BBSW). Council receives indicative market valuation advice from the investment banks. The indicative valuations are based upon recent comparative market based evidence. The information included under 6(b) is considered sufficient to meet the Fair Value disclosures requirements hence additional information is not included under this note.

Level 2 measurements

Financial liabilities

Interest free loans

The Councils financial liabilities relate to interest free loans acquired in accordance with Local Government guidelines to fund infrastructure projects. The fair value of the financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar instruments, therefore placing the financial liabilities assets in Level 2. Valuation techniques remained the same for this reporting period.

Infrastructure, property, plant and equipment (IPPE)

Work in Progress (IPPE)

The Work in progress relating to IPPE assets are valued at cost in Council's books and reported at Fair Value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs therefore placing the IPPE WIP in Level 2.

Operational Land

The Council engages external, independent and qualified valuers to determine the fair value of the Council's Operational Land.

The fair value of Operational Land has been determined by referencing it to current prices in an active market for similar properties. Where such information is not available, current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences are considered. Appropriate adjustments are also made for the inherent features of the property such as fire-prone, flood zonings and usability of the land.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

Operational land assets are categorised as Level 2 as determined by the valuation report provided by APV Valuers & Asset Management. Valuation techniques remained the same for this reporting period.

Operational land was last revalued at 10 September 2016.

Non-current assets classified as 'held for sale'

The Council's non-current asset held for sale is an operational land that is fair valued by APV Valuers and Asset Management as at 10 September 2016. Contracts for exchange is being negotiated. Asset held for sale will be therefore revalued to market value/contract value on conclusion of the sales agreement.

Non-current assets held for sale is categorised as Level 2 as determined by the valuation report provided by APV Valuers & Asset Management. Valuation techniques remained the same for this reporting period.

Level 3 measurements

Plant & Equipment, Office Equipment, and Furniture & Fittings

This asset category includes:

Plant & Equipment – Motor Vehicles, trucks, mowers
Office Equipment – Computer equipment
Furniture & Fittings – Chairs, desks, cabinets, display systems.

These assets are valued at cost in Council's books and reported at Fair Value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3. Valuation techniques remained the same for this reporting period.

Library Books

This asset category comprises of assets such as library books, journals, magazines, CDs and DVDs.

The library books are reported at Fair Value in the notes however, due to the nature of these items they are valued at cost. There are no major variances between the fair value and carrying amount of these assets. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life is based on internal factors which are unobservable in the market making it a level 3 asset. Valuation techniques remain the same for this reporting period.

Buildings – Specialised & Non- Specialised

The Council engages external, independent and qualified valuers to determine the fair value of the Council's buildings. Buildings were last revalued on 10 September 2016 and the fair values were determined by APV Valuers & Asset Management.

Gross Value of each building, which is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. The valuation aspects are generally, but not limited to the location, size, condition, style and utility of the asset. Replacement cost, asset condition, remaining useful life and building components are some of the inputs used in fair value determination. The key unobservable input

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

being the rate square metre has been benchmarked to construction costs of similar properties across the industry.

This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Further details relating to the rate per square metre has been provided below.

Community Land

The Council engages the Valuer General of New South Wales to determine the fair value of the Council's Community Land.

The fair value for Community Land has been determined using an Unimproved Capital Value, derived from the Valuer General's valuation performed for rating purposes, and applying to the total area. Given the nature of Community land, comparable sales data is generally not available. As the Valuer General's valuation considers land in all zoning, average unit derived from Valuer General's valuation is considered the most practicable approach to valuing Community Land.

This assets class is categorised as Level 3 as some of the inputs mentioned above require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Community land was last revalued at 1 July 2016.

Infrastructure assets

The Council engages external, independent and qualified valuers to determine the fair value of the Council's Infrastructure assets. All infrastructure assets were last revalued on 10 September 2016 and the fair values were determined by APV Valuers & Asset Management.

The key unobservable input to the valuation is the rate per square metre, for which, further details have been provided below.

Some infrastructure assets that are not valued by APV Valuers are performed internally by the Council's internal engineering team. The gross value of the infrastructure assets are determined by unit rate to total volume which is normally square metres, cubic metres or lineal metres.

The unit rates, which is a key unobservable input, is determined using rates stipulated in contracts with third party suppliers via tenders, internal service providers and industry publications.

Roads

The system adopted has a hierarchical structure in which all Roads are identified by name and number. Each road was then subdivided into a number of sections based on length, geometry and change of structure or traffic. Some roads may have only one section. The components within the road sections are as follows.

- ❖ Road Pavement
 - Pavement Structure
 - Road Wearing Course

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

- ❖ Bridges & Culverts
- ❖ Footpaths
- ❖ Kerb & Gutter
- ❖ Bollards
- ❖ Retaining Walls
- ❖ Fences & Railings
- ❖ Seats
- ❖ Traffic Facilities
- ❖ Carpark
- ❖ Cycleway Path
 - Cycleway markings
- ❖ Street Furniture
 - Stainless steel bin covers
 - Tree guards
 - Planter box

Road Pavements, Footpaths, Cycleway and Kerb & Gutter were measured along the centre line and their corresponding width and condition were recorded. Similarly Traffic Facilities, Retaining Wall, Car park measured and determined area in square metres. Fence and Railing measured in linear metres. Street Furniture are considered as single items and valued as such.

Bollard assets are valued using condition and age based methodology. Bollards are categorised as to material type and are not componentised. Unit rates for steel bollard is \$180 each whilst a timber bollard is \$90 each. Unit rates are based on previous Rockdale valuation and other Council valuations.

Kerb and gutter assets are valued using condition and age based methodology. Kerb and gutter assets are categorised by their construction material and by the kerb type and are not componentised. Unit rates are based on other council valuations and previous Rockdale valuation. A common unit rate of \$180 per lineal metre has been applied across all material and kerb types.

Road pavement structure assets are valued using condition and age based methodology. Road pavements have been assigned a unit rate of \$75 per square metre. Pavement replacement costs are based on renewal practice consisting of removing approximately 50% of existing pavement layer and replacing it with structural asphalt. Unit rates are based primarily on recent construction rates used in Rockdale pavement renewal contracts. Unit rate has been expressed as a weighted average for all roads based on the proportion of local and regional roads which typically have different standards of pavement reconstruction to reflect the different usage. The methodology of determining the area of wearing course has changed since the 2010 valuation. This has resulted in an increase in wearing course by 19%.

Road wearing course assets are valued using condition and age based methodology. Road wearing surfaces have been assigned a unit rate of \$27 per square metre. Unit rates are based primarily on recent construction rates used in Rockdale pavement surfacing contracts. Unit rate has been expressed as a weighted average

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

for all roads based on the proportion of local and regional roads, which typically have different requirements for wearing surface to reflect different usage. The methodology of determining the area of wearing course has changed since 2010 asset valuation. This has resulted in an increase in wearing course area by approximately 9%.

This assets class is categorised as Level 3 as some of the inputs mentioned above require significant professional judgement and are therefore unobservable.

Bridges

Bridges and culverts are valued using condition and age based methodology. Road bridges are not categorised whilst culverts are categorised as to type (box culverts and pipe culverts). Bridge and culvert renewals will typically be a full rebuild rather than replacement of individual components, therefore an overall replacement rate is appropriate. Bridge unit rates are \$3,969 per square metre of deck area. Culvert unit rates are \$2,028 per square metre of footprint (plan) area. Bridge unit rates is based on breakdown provided by other council valuations and compared to Rawlinson's Australian Construction Handbook overall rate information. Culvert unit rates is based on per metre rates from Rawlinson's Australian Construction Handbook and converted to an equivalent footprint plan area rate including allowances for ancillary work.

Footpaths

Footpath assets are valued using condition and age based methodology. Footpaths are categorised by their construction material. Footpath assets are not componentised.

Unit rates are based on previous Rockdale valuation and other council valuations. Unit rates based on other council valuations and compared to Rawlinson's Australian Construction Handbook 2015. Unit rates for asphalt \$50 per square metre, concrete \$100 per square metre and pavers \$95 per square metre.

Stormwater Drainage

Similar to the roads asset, drainage asset system has a hierarchical structure in which all the drainage catchments have components such as pipes, pits, channels, culverts etc. In addition, Stormwater Quality Improvement Devices (SQID) such as Gross Pollution Traps, Trash racks, Litter baskets, Litter nets, Booms etc. are recorded. Pipes, channels and box culverts are measured in linear metres and pits as an item,

Stormwater drain assets have been valued using an age-based methodology.

Where applicable, actual costs for asset acquisition or work done are used to determine unit rates. When this information is not available local engineering knowledge and benchmark data contained in the NSW Reference Rates Manual (2014) has been applied.

This assets class is categorised as Level 3 as some of the inputs mentioned above require significant professional judgement and are therefore unobservable.

Land Under Roads

Land Under Roads identified as roads constructed post 30/6/2008 has been valued based on Municipal Average Land Rate discounted by 90%. Council has elected to only recognise land under roads for new roads constructed after 30/6/2008.

The Council uses Local Government Area rateable land values provided by the NSW Valuer-General to determine the fair value of the Council's Land Under Roads (LUR) assets.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

The urban Average Rateable Value per hectare within each Local Government Area (LGA) is adjusted by an “open spaces ratio” to approximate fair value (unimproved and pre-subdivision land).

The urban Average Rateable Value by LGA is derived from data provided by the Valuer – General. Measurement of land area in situ under roads.

This assets class is categorised as Level 3 as some of the inputs mentioned above require significant professional judgement and are therefore unobservable.

Swimming Pools

Assets within this class are comprised of swimming pools and associated structures.

The valuation of the swimming pools using cost approach was conducted by APV Valuers and Asset Management on 10 September 2016. Significant unobservable inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components, asset condition and residual value.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Intangible assets

Intangible assets are measured initially at cost and amortised on a systematic basis over their useful lives. After initial recognition, the Council measures an intangible asset at cost less accumulated amortisation and impairment losses. Significant unobservable inputs considered in the assessment these assets remaining useful life, pattern of consumption, technological obsolescence and thus residual value.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant & Equipment	Office Equipment	Furniture & Fittings	Library Books	Total
Balance on transfer from former Councils	8,201	957	643	1,699	11,500
Purchases (GBV)	3,931	93	24	346	4,394
Disposals (WDV)	(1,337)	–	–	–	(1,337)
Depreciation and impairment	(1,696)	(280)	(109)	(577)	(2,662)
Closing balance – 30/6/17	9,099	770	558	1,468	11,895
	Community Land	Land Improveme- -nts	Buildings Non Specialised	Buildings Specialised	Total
Balance on transfer from former Councils	154,979	19,602	43,628	120,028	338,237
Purchases (GBV)	50	644	1,607	10,844	13,145
Depreciation and impairment	–	(460)	(917)	(1,780)	(3,157)
Closing balance – 30/6/17	155,029	19,786	44,318	129,092	348,225
	Other Structures	Roads	Bridges	Footpaths	Total
Balance on transfer from former Councils	34,707	365,444	7,116	53,868	461,135
Purchases (GBV)	1,135	2,829	–	1,833	5,797
Depreciation and impairment	(1,750)	(5,893)	(66)	(1,261)	(8,970)
Closing balance – 30/6/17	34,092	362,380	7,050	54,440	457,962
	Bulk Earthworks	Stormwater Drainage	Land Under Roads	Swimming Pools	Total
Balance on transfer from former Councils	61,056	85,614	1,085	1,530	149,285
Purchases (GBV)	–	1,479	467	–	1,946
Depreciation and impairment	–	(1,301)	–	(135)	(1,436)
Closing balance – 30/6/17	61,056	85,792	1,552	1,395	149,795

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

Nil

(5). Highest and best use

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

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

Compensation:	Actual 10/9/16 to 30/6/17
Short-term benefits	1,660
Post-employment benefits	–
Other long-term benefits	108
Termination benefits	563
Total	<u>2,331</u>

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 29. Local Government amalgamation

\$ '000	Notes	
<p>The local government Bayside Proclamation ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former councils City fo Botany Bay and Rockdale City Council to Bayside Council at 10 September 2016.</p>		
		Actual
		10/9/16
		to 30/6/17
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	a	1,509,301
Accounting policy adjustments	b	82,479
		<u>1,591,780</u>

a. Assets and liabilities transferred from former councils

(i) Carrying amount of assets and liabilities transferred

Assets and liabilities of:

Former Rockdale City Council
Former City of Botany Bay Council

have been recognised by the Council at both the carrying amount recorded by the former councils and fair value for major infrastructure assets and operating land asset classes.

Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 10 September 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided on the next page.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

a. Assets and liabilities transferred from former councils (continued)

(i) Carrying amount of assets and liabilities transferred (continued)

	Former Botany Bay Council	Former Rockdale City Council	Gain on local government amalgamation
ASSETS			
Current assets			
Cash and cash equivalents	36,790	99,347	136,137
Investments	55,000	36,381	91,381
Receivables	23,102	51,284	74,386
Inventories	301	73	374
Other	563	1,483	2,046
Total current assets	115,756	188,568	304,324
Non-current assets			
Investments	34,883	18,100	52,983
Receivables	–	193	193
Inventories	–	–	–
Infrastructure, property, plant and equipment	378,786	912,304	1,291,090
Investments accounted for using the equity method	1,611	2,230	3,841
Investment property	–	–	–
Intangible assets	266	2,539	2,805
Other	–	127	127
Total non-current assets	415,546	935,493	1,351,039
TOTAL ASSETS	531,302	1,124,061	1,655,363
LIABILITIES			
Current liabilities			
Payables (excluding bank overdraft)	15,500	10,676	26,176
Income received in advance	–	–	–
Borrowings	–	990	990
Provisions	11,572	13,403	24,975
Total current liabilities	27,072	25,069	52,141
Non-current liabilities			
Payables	–	–	–
Borrowings	–	5,985	5,985
Provisions	5,579	771	6,350
Total non-current liabilities	5,579	6,756	12,335
TOTAL LIABILITIES	32,651	31,825	64,476
Net assets transferred	498,651	1,092,236	1,590,887

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

(ii) Adjustments between former council carrying amount of assets and fair values recognised

The following adjustments were made to the carrying amount of the assets and liabilities received as part of the amalgamation in order to recognise them at fair value at the proclamation date.

	Actual 2017
Adjustments made to recognise net assets at fair value	
Write off of assets – below capitalisation threshold	(3,610)
Write off of assets – not owned by Council	(29,466)
Recognition of assets not previously recorded	38,388
Changes in asset values due to valuation process	85,175
Changes in liabilities due to methodology changes	(1,039)
Other adjustments to assets of former Councils	(8,621)
Cash adjustment due to timing difference	165
Other (Changes in receivable FAG)	(743)
Other (Joint Venture assets not previously recognised in ledger)	2,230
Total adjustments	82,479

(iii) Rates and Non-Reciprocal Grants income

The rates and non-reciprocal grants revenue for the period from 10 September 2016 to 30 June 2017 were recorded in the financial statements of the former councils in accordance with AASB 1004 Contributions.

The assets transferred to Council include a portion of rates and non-reciprocal grants that were received but related to the period after the former councils ceased to exist.



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Bayside Council

To the Councillors of the Bayside Council

Disclaimer of Opinion

I am required to audit the accompanying financial report of Bayside Council (the Council), which comprise the Statement by Councillors and Management, Income Statement and Statement of Comprehensive Income for the period 10 September 2016 to 30 June 2017, the Statement of Financial Position as at 30 June 2017, the Statement of Changes in Equity and Statement of Cash Flows for the period then ended and Notes to the Financial Statements comprising a summary of significant accounting policies and other explanatory information.

I do not express an opinion on the accompanying financial report of the Council. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

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

Basis for Disclaimer of Opinion

Significant breakdowns in administrative, financial and governance internal controls have materially and pervasively impacted the reliability of financial reporting of the Council.

As a result, I do not have sufficient appropriate audit evidence, nor am I able to determine whether any adjustments may be necessary in respect of recorded or unrecorded transactions in the financial statements.

Councillors and management of Bayside Council have been unable to state in the Statement required under section 413(2)(c) of the *Local Government Act 1993* that the financial report presents fairly the financial performance of the Council.

Where management and those charged with governance cannot provide written representation that the financial report contains all transactions, Australian Auditing Standards require me to issue a disclaimer of opinion in my Independent Auditor's Report.

The Councillor's Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report 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 report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

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

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

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

Parliament further 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.



David Nolan
Director, Financial Services

21 February 2019
SYDNEY

Bill Saravinovski
Mayor
Bayside Council
PO Box 21
ROCKDALE NSW 2216

21 February 2019

Dear Mayor

**Report on the Conduct of the Audit
for the period ending 30 June 2017
Bayside Council**

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

I issued a disclaimer of opinion on the former Council's general purpose financial statements and special purpose financial statements.

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

The following significant matters came to my attention during the audit.

There was an inadequate system of internal controls to support accurate financial reporting and to mitigate the risk of fraud or to identify fraud.

- Council did not maintain adequate accounting records as required by Section 412 of the *Local Government Act 1993*.
- The Statement by Councillors and Management attached to the financial statements states 'Due to the ongoing issues with the internal control environment over this reporting period, management of Bayside Council is unable to warrant the completeness and reliability of the financial statements as a whole...'

As a result, I was unable to obtain sufficient appropriate audit evidence to issue an opinion on the financial statements and have issued a disclaimer of opinion.

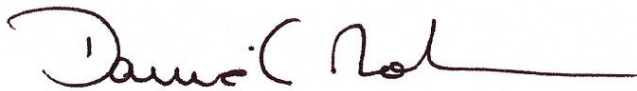
FINANCIAL INFORMATION AND PERFORMANCE RATIOS

I have not included commentary on Financial Information or Performance Ratios in this report as the information in the financial statements is not reliable.

OTHER MATTERS

Legislative compliance

Council did not maintain adequate accounting records as required by Section 412 of the *Local Government Act 1993*. The Council's accounting records were not maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements. Council staff were unable to provide all accounting records and information relevant to the audit.



David Nolan
Director, Financial Audit Services

cc: Meredith Wallace, General Manager
Jennifer Whitten, Chair of Audit, Risk and Improvement Committee
Tim Hurst, Chief Executive of the Office of Local Government

Bayside Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the period 10 Sep 2016 to 30 June 2017



Bayside Council

Special Purpose Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	n/a
Income Statement – Sewerage Business Activity	n/a
Income Statement – Other Business Activities	3
Statement of Financial Position – Water Supply Business Activity	n/a
Statement of Financial Position – Sewerage Business Activity	n/a
Statement of Financial Position – Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5
4. Auditor’s Report	9

Background

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

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

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

Bayside Council

Special Purpose Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Statement by Councillors and Management

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

Bayside Council was formed by way of the Local Government (Bayside) Proclamation 2016 which amalgamated the former Rockdale City Council and the former City of Botany Bay Council.

The former City of Botany Bay Council final reports (2015/16) were disclaimed by the Audit Office of NSW, due to the significant breakdowns in administrative, financial and governance internal controls as evidenced by the NSW Independent Commission Against Corruption (ICAC) Operation Ricco 2016.

Whilst significant work has been undertaken to develop and implement a new internal control environment and to address the ICAC report on the former City of Botany Bay Council within Bayside Council this cannot correct the past failings, nor address the disclaimed opinion by the Audit Office of NSW.

Due to the ongoing issues with the internal control environment over this reporting period, management of Bayside Council is unable to warrant the completeness and reliability of the Special Purpose Financial Reports.

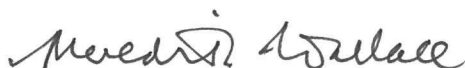
Signed in accordance with a resolution of Council made on 13/02/2019.



Bill Saranovski
Mayor



Liz Barlow
Councillor



Meredith Wallace
General Manager



Matthew Walker
Responsible accounting officer

Bayside Council

Income Statement of Council's Other Business Activities

for the period 10 Sep 2016 to 30 June 2017

Contract
Services –
Airport
Category 1

\$ '000	Actual 10/9/16 to 30/6/17
Income from continuing operations	
Access charges	–
User charges	4,660
Fees	–
Interest	–
Grants and contributions provided for non-capital purposes	–
Profit from the sale of assets	–
Share of profit from equity accounted investment	–
Other income	–
Total income from continuing operations	4,660
Expenses from continuing operations	
Employee benefits and on-costs	3,543
Borrowing costs	–
Materials and contracts	985
Depreciation, amortisation and impairment	50
Loss on sale of assets	–
Calculated taxation equivalents	–
Debt guarantee fee (if applicable)	5
Share of loss from equity accounted investment	–
Other expenses	–
Total expenses from continuing operations	4,583
Surplus (deficit) from continuing operations before capital amounts	77
Grants and contributions provided for capital purposes	–
Surplus (deficit) from continuing operations after capital amounts	77
Surplus (deficit) from discontinued operations	–
Surplus (deficit) from all operations before tax	77
Less: corporate taxation equivalent (30%) [based on result before capital]	(23)
SURPLUS (DEFICIT) AFTER TAX	54
Plus Assets and liabilities transferred from former councils	–
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	–
– Debt guarantee fees	5
– Corporate taxation equivalent	23
Less:	
– Repaid to council	(82)
Closing retained profits	–
Return on capital %	23.6%
Subsidy from Council	–

Bayside Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

Contract
Services –
Airport
Category 1

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	–
Investments	–
Receivables	1,171
Inventories	–
Other	–
Non-current assets classified as held for sale	–
Total Current Assets	1,171
Non-current assets	
Investments	–
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	326
Investments accounted for using equity method	–
Investment property	–
Total non-current assets	326
TOTAL ASSETS	1,497
LIABILITIES	
Current liabilities	
Council General Fund Contribution	1,235
Payables	–
Income received in advance	–
Borrowings	–
Provisions	121
Total current liabilities	1,356
Non-current liabilities	
Payables	–
Borrowings	–
Provisions	141
Total non-current liabilities	141
TOTAL LIABILITIES	1,497
NET ASSETS	–
EQUITY	
Retained earnings	–
Revaluation reserves	–
Other reserves	–
TOTAL EQUITY	–

Bayside Council

Special Purpose Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

Bayside Council

Notes to the Special Purpose Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

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

activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

a. Contract Services - Airport

Category 2

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

Nil

Monetary amounts

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

(i) Taxation-equivalent charges

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

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

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

Bayside Council

Notes to the Special Purpose Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

Notional rate applied (%)

Corporate income tax rate – **30%**

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

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

Income tax

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

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

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

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

Since the taxation equivalent is notional – that is, it is payable to Council as the ‘owner’ of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

Bayside Council

Notes to the Special Purpose Financial Statements for the period 10 Sep 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

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

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Bayside Council

To the Councillors of Bayside Council

Disclaimer of Opinion

I am required to audit the accompanying special purpose financial statements (the financial statements) of Bayside Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, Income Statement of Council's Other Business Activities for the period 10 September 2016 to 30 June 2017, Statement of Financial Position – Council's Other Business Activities as at 30 June 2017 and notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- contract services – airport.

I do not express an opinion on the accompanying financial statements of the Council's Declared Business Activities. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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

Basis for Disclaimer of Opinion

Significant breakdowns in administrative, financial and governance internal controls have materially and pervasively impacted the reliability of financial reporting of the Council.

As a result, I do not have sufficient appropriate audit evidence, nor am I able to determine whether any adjustments may be necessary in respect of recorded or unrecorded transactions in the financial statements.

Councillors and management of Bayside Council have been unable to state in the Statement required under section 413(2)(c) of the *Local Government Act 1993* that the special purpose financial report presents fairly the financial performance of the business activities of the Council.

Where management and those charged with governance cannot provide written representation that the financial report contains all transactions, Australian Auditing Standards require me to issue a disclaimer of opinion in my Independent Auditor's Report.

Emphasis of Matter - Basis of Accounting

I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting (LG Code). As a result, the financial statements may not be suitable for another purpose.

The Councillor's Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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

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

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

Parliament further 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.



David Nolan
Director, Financial Audit Services

21 February 2019
SYDNEY

Bayside Council

SPECIAL SCHEDULES

for the period 10 Sep 2016 to 30 June 2017



Bayside Council

Special Schedules

for the period 10 Sep 2016 to 30 June 2017

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Special Schedules¹

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Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 7	Report on Infrastructure Assets	5
Special Schedule 8	Permissible Income Calculation	8

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Bayside Council

Special Schedule 1 – Net Cost of Services

for the period 10 Sep 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	5,470	–	–	(5,470)
Administration	29,545	15,325	762	(13,458)
Public order and safety				
Fire service levy, fire protection, emergency services	370	–	–	(370)
Beach control	373	–	70	(303)
Enforcement of local government regulations	2,021	2,832	–	811
Animal control	785	112	–	(673)
Other	1,503	1,020	–	(483)
Total public order and safety	5,052	3,964	70	(1,018)
Health	717	739	–	22
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	4,956	153	285	(4,518)
Solid waste management	20,301	20,620	–	319
Street cleaning	2,525	–	–	(2,525)
Drainage	416	(11)	–	(427)
Stormwater management	–	–	–	–
Total environment	28,198	20,762	285	(7,151)
Community services and education				
Administration and education	906	53	9,000	8,147
Social protection (welfare)	–	–	–	–
Aged persons and disabled	502	368	–	(134)
Children's services	2,456	2,989	31	564
Total community services and education	3,864	3,410	9,031	8,577
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	1,726	–	–	(1,726)
Street lighting	2,122	568	121	(1,433)
Town planning	5,515	1,125	–	(4,390)
Other community amenities	–	13	722	735
Total housing and community amenities	9,363	1,706	843	(6,814)

Bayside Council

Special Schedule 1 – Net Cost of Services (continued)
 for the period 10 Sep 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	3,542	473	451	(2,618)
Museums	44	–	–	(44)
Art galleries	–	–	–	–
Community centres and halls	428	196	2,337	2,105
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	104	6	–	(98)
Sporting grounds and venues	1,620	399	–	(1,221)
Swimming pools	9,931	463	311	(9,157)
Parks and gardens (lakes)	5,073	130	21,228	16,285
Other sport and recreation	2,333	607	–	(1,726)
Total recreation and culture	23,075	2,274	24,327	3,526
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	2,382	14,643	–	12,261
Total mining, manufacturing and const.	2,382	14,643	–	12,261
Transport and communication				
Urban roads (UR) – local	4,340	151	3,315	(874)
Urban roads – regional	12	–	–	(12)
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	125	49	11,878	11,802
Footpaths	2,550	–	24	(2,526)
Aerodromes	4	–	–	(4)
Other transport and communication	320	2,026	1,110	2,816
Total transport and communication	7,351	2,226	16,327	11,202
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	4,678	4,604	151	77
Total economic affairs	4,678	4,604	151	77
Totals – functions	119,695	69,653	51,796	1,754
General purpose revenues ⁽¹⁾		8,465		8,465
Share of interests – joint ventures and associates using the equity method	–	560		560
NET OPERATING RESULT ⁽²⁾	119,695	78,678	51,796	10,779

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

Bayside Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the period 10 Sep 2016 to 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year (former Councils)			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	106	506	612	–	150	–	–	–	150	312	462
Other State Government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	1,056	5,379	6,435	–	840	–	–	229	951	4,644	5,595
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	1,162	5,885	7,047	–	990	–	–	229	1,101	4,956	6,057
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	1,162	5,885	7,047	–	990	–	–	229	1,101	4,956	6,057

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Bayside Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	614	3,860	905	265	44,318	70,895	32%	35%	26%	6%	1%
	Buildings – specialised	2,975	12,980	2,926	1,711	121,919	159,562	34%	32%	27%	6%	1%
	Sub-total	3,589	16,840	3,831	1,976	166,237	230,457	33.4%	32.9%	26.7%	6.0%	1.0%
Other structures	Other structures	984	4,480	1,666	653	35,808	52,616	19%	48%	24%	8%	1%
	Sub-total	984	4,480	1,666	653	35,808	52,616	19.0%	48.0%	24.0%	8.0%	1.0%
Roads	Sealed roads & Other Road Assets	2,729	15,249	2,727	2,437	363,058	484,966	41%	36%	19%	4%	0%
	Bridges	–	–	29	–	7,050	7,992	49%	51%	0%	0%	0%
	Footpaths	1,023	5,808	1,333	926	54,440	97,564	4%	13%	76%	7%	0%
	Bulk earthworks	–	–	–	–	61,056	61,056	100%				0%
	Sub-total	3,752	21,057	4,089	3,363	485,604	651,578	41.1%	29.4%	25.5%	4.0%	0.0%

Bayside Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	956	2,963	394	514	85,792	138,770	4%	36%	58%	1%	1%
	Sub-total	956	2,963	394	514	85,792	138,770	4.0%	36.0%	58.0%	1.0%	1.0%
Open space/recreational assets	Swimming pools	–	–	64	106	6,174	6,442	70%	5%	5%	5%	15%
	Sub-total	–	–	64	106	6,174	6,442	70.0%	5.0%	5.0%	5.0%	15.0%
	TOTAL – ALL ASSETS	9,281	45,340	10,044	6,612	779,615	1,079,863	33.8%	31.7%	29.7%	4.3%	0.5%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Bayside Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 10 Sep 2016 to 30 June 2017

\$ '000	Amounts 2017	Indicator 2017
Infrastructure asset performance indicators * consolidated		
1. Infrastructure renewals ratio		
Asset renewals ⁽¹⁾	<u>16,772</u>	128.00%
Depreciation, amortisation and impairment	<u>13,103</u>	
2. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory standard	<u>9,281</u>	1.26%
Net carrying amount of infrastructure assets	<u>738,345</u>	
3. Asset maintenance ratio		
Actual asset maintenance	<u>6,612</u>	0.66
Required asset maintenance	<u>10,044</u>	
4. Cost to bring assets to agreed service level		
Estimated cost to bring assets to an agreed service level set by Council	<u>45,340</u>	4.20%
Gross replacement cost	<u>1,079,863</u>	

Notes

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

⁽¹⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Bayside Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

		Calculation 2017/18	Calculation 2017/18	Calculation 2017/18
		Former Rockdale City Council	Former Botany City Council	Total
Notional general income calculation ⁽¹⁾				
Last year notional general income yield	a	51,975	28,109	80,084
Plus or minus adjustments ⁽²⁾	b	970	570	1,540
Notional general income	$c = (a + b)$	52,945	28,679	81,624
Permissible income calculation				
Special variation percentage ⁽³⁾	d	6.00%	0.00%	
Or rate peg percentage	e	1.50%	1.50%	
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%	
Less expiring special variation amount	g	–	–	–
Plus special variation amount	$h = d \times (c - g)$	3,177	–	3,177
Or plus rate peg amount	$i = c \times e$	–	430	430
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	–	–	–
Sub-total	$k = (c + g + h + i + j)$	56,122	29,109	85,231
Plus (or minus) last year's carry forward total	l	–	(7)	(7)
Less valuation objections claimed in the previous year	m	–	–	–
Sub-total	$n = (l + m)$	–	(7)	(7)
Total permissible income	$o = k + n$	56,122	29,102	85,224
Less notional general income yield	p	56,188	28,997	85,185
Catch-up or (excess) result	$q = o - p$	(66)	105	39
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–	–
Less unused catch-up ⁽⁵⁾	s	–	–	–
Carry forward to next year	$t = q + r - s$	(66)	105	39

Bayside Council

Special Schedule 8 – Permissible Income Calculation (continued) for the year ended 30 June 2018

\$'000

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 8 - Permissible income for general rates

Bayside Council

To the Councillors of Bayside Council

Disclaimer of Opinion

I am required to audit the accompanying Special Schedule 8 – Permissible income for general rates (the Schedule) of Bayside Council (the Council) for the year ended 30 June 2018.

I do not express an opinion on the accompanying Schedule of the Council. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Schedule.

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

Basis for Disclaimer of Opinion

Significant breakdowns in administrative, financial and governance internal controls have materially and pervasively impacted the reliability of financial reporting of the Council.

As a result, I do not have sufficient appropriate audit evidence, nor am I able to determine whether any adjustments may be necessary in respect of recorded or unrecorded transactions in the Schedule.

The General Manager and Responsible Accounting Officer of the Council have been unable to state in the Statement of Compliance with the Office of Local Government - 2017–18 Permissible Income Work papers that the Schedule is complete and reliable.

Where management cannot provide written representation that the Schedule is complete and reliable, Australian Auditing Standards require me to issue a disclaimer of opinion in my Independent Auditor's Report.

Emphasis of Matter - Basis of Accounting

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 Local Government Code of Accounting Practice and Financial Reporting – update number 25 (LG Code). As a result, the Schedule may not be suitable for another purpose.

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 responsibility is to conduct an audit of the Schedule in accordance with Australian Auditing Standards and to issue an Independent Auditor's Report. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the schedule.

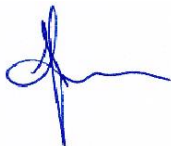
I am independent of the Council in accordance with the requirements of the:

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

I have also 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.



Aaron Green
Assistant Auditor-General

Delegate of the Auditor-General for New South Wales

30 September 2019
SYDNEY