2018/19

Financial Statements

Randwick City Council
a sense of community

Randwick City Council

Financial Statements
for the year ended 30 June 2019

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Randwick City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Randwick City Council
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Randwick City Council

General Purpose Financial Statements
for the year ended 30 June 2019

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Overview

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

30 Frances Street
Randwick NSW 2031

Council's guiding principles are detailed in Chapter 3 of the Local Government Act and includes:

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

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

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

Randwick City Council

General Purpose Financial Statements
for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 27 August 2019.

Cr Kathy Neilson
Mayor
27 August 2019

Cr Danny Said
Deputy Mayor
27 August 2019

Ms Therese Manns
General Manager
27 August 2019

Mr David MacNiven
Responsible Accounting Officer
27 August 2019

Randwick City Council

Income Statement
for the year ended 30 June 2019

Original unaudited budget 2019	$ '000	Notes	Actual 2019	Actual 2018 [1]
	Income from continuing operations			
	Revenue:			
116,286	Rates and annual charges	3a	116,726	109,914
18,593	User charges and fees	3b	21,022	21,257
1,625	Interest and investment revenue	3c	2,444	2,001
9,053	Other revenues	3d	9,095	13,313
6,759	Grants and contributions provided for operating purposes	3e,f	8,348	7,942
4,196	Grants and contributions provided for capital purposes	3e,f	7,042	5,675
156,512	Total income from continuing operations		164,677	160,102
	Expenses from continuing operations			
64,719	Employee benefits and on-costs	4a	64,207	60,425
1,281	Borrowing costs		–	–
37,976	Materials and contracts	4b	45,874	45,116
23,702	Depreciation and amortisation	4c	24,450	24,315
15,465	Other expenses	4d	14,258	15,012
3,067	Net losses from the disposal of assets	5	2,840	6,642
146,210	Total expenses from continuing operations		151,629	151,510
10,302	Operating result from continuing operations		**13,048**	**8,592**
10,302	Net operating result for the year		13,048	8,592
10,302	Net operating result attributable to Council		13,048	8,592
6,106	Net operating result for the year before grants and contributions provided for capital purposes		6,006	2,917

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

Randwick City Council

Statement of Comprehensive Income
for the year ended 30 June 2019

$ '000	Notes	2019	Restated 2018 [1]
Net operating result for the year (as per Income Statement)		**13,048**	**8,592**
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	194,253	62,769
Total items which will not be reclassified subsequently to the operating result		**194,253**	**62,769**
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		**194,253**	**62,769**
Total comprehensive income for the year		207,301	71,361
Total comprehensive income attributable to Council		207,301	71,361

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

Randwick City Council

Statement of Financial Position
as at 30 June 2019

$ '000	Notes	2019	Restated 2018 [1]	Restated 1 July 2017
ASSETS				
Current assets				
Cash and cash equivalents	6a	5,449	4,371	3,050
Investments	6b	64,216	60,989	67,043
Receivables	7	8,128	7,356	7,572
Inventories	8	512	538	573
Other	8	835	752	824
Total current assets		**79,140**	**74,006**	**79,062**
Non-current assets				
Receivables	7	483	512	513
Infrastructure, property, plant and equipment	9	1,820,770	1,619,909	1,547,078
Investments accounted for using the equity method	14	7	7	7
Total non-current assets		**1,821,260**	**1,620,428**	**1,547,598**
TOTAL ASSETS		1,900,400	1,694,434	1,626,660
LIABILITIES				
Current liabilities				
Payables	10	12,461	14,165	18,034
Income received in advance	10	2,198	2,092	1,986
Provisions	11	18,895	18,727	18,268
Total current liabilities		**33,554**	**34,984**	**38,288**
Non-current liabilities				
Payables	10	–	–	260
Provisions	11	286	191	214
Total non-current liabilities		**286**	**191**	**474**
TOTAL LIABILITIES		33,840	35,175	38,762
Net assets		1,866,560	1,659,259	1,587,898
EQUITY				
Accumulated surplus	12	819,705	806,657	796,625
Revaluation reserves	12	1,046,855	852,602	791,273
Total equity		1,866,560	1,659,259	1,587,898

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

Randwick City Council

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

$ '000	Notes	2019 Accumulated surplus	IPP&E revaluation reserve	Total equity	2018[1] Accumulated surplus	IPP&E revaluation reserve	Restated Total equity
Opening balance		806,657	790,165	**1,596,822**	796,625	722,065	**1,518,690**
Correction of prior period errors	12 (b)	–	62,437	**62,437**	–	69,208	**69,208**
Restated opening balance		**806,657**	**852,602**	**1,659,259**	**796,625**	**791,273**	**1,587,898**
Net operating result for the year prior to correction of errors and changes in accounting policies		**13,048**	**–**	**13,048**	8,592	–	**8,592**
Net operating result for the year		**13,048**	**–**	**13,048**	**8,592**	**–**	**8,592**
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9a	–	194,253	**194,253**	–	62,769	**62,769**
– Affordable housing land agreement		–	–	**–**	1,440	(1,440)	**–**
Other comprehensive income		**–**	**194,253**	**194,253**	**1,440**	**61,329**	**62,769**
Total comprehensive income (c&d)		**13,048**	**194,253**	**207,301**	**10,032**	**61,329**	**71,361**
Equity – balance at end of the reporting period		**819,705**	**1,046,855**	**1,866,560**	**806,657**	**852,602**	**1,659,259**

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

Randwick City Council

Statement of Cash Flows
for the year ended 30 June 2019

Original unaudited budget 2019	$ '000	Notes	Actual 2019	Actual 2018
	Cash flows from operating activities			
	Receipts:			
115,595	Rates and annual charges		115,742	110,262
18,718	User charges and fees		22,383	22,800
1,667	Investment and interest revenue received		2,152	2,127
10,714	Grants and contributions		15,605	10,590
700	Bonds, deposits and retention amounts received		1,905	1,478
9,230	Other		17,086	21,107
	Payments:			
(64,381)	Employee benefits and on-costs		(63,934)	(59,876)
(39,212)	Materials and contracts		(52,344)	(48,927)
(1,281)	Borrowing costs		–	–
–	Bonds, deposits and retention amounts refunded		(1,478)	(1,220)
(12,564)	Other		(18,925)	(24,181)
39,186	**Net cash provided (or used in) operating activities**	13b	38,192	34,160
	Cash flows from investing activities			
	Receipts:			
62,100	Sale of investment securities		68,948	80,043
2,231	Sale of infrastructure, property, plant and equipment		1,820	1,193
	Payments:			
(61,280)	Purchase of investment securities		(72,000)	(74,000)
(64,678)	Purchase of infrastructure, property, plant and equipment		(35,882)	(40,075)
(61,628)	**Net cash provided (or used in) investing activities**		(37,114)	(32,839)
	Cash flows from financing activities			
	Receipts:			
27,000	Proceeds from borrowings and advances		–	–
	Payments:			
(826)	Repayment of borrowings and advances		–	–
26,174	**Net cash flow provided (used in) financing activities**		–	–
3,732	**Net increase/(decrease) in cash and cash equivalents**		1,078	1,321
3,050	Plus: **cash and cash equivalents – beginning of year**	13a	4,371	3,050
6,782	**Cash and cash equivalents – end of the year**	13a	5,449	4,371
	Additional Information:			
	plus: **Investments on hand – end of year**	6b	64,216	60,989
	Total cash, cash equivalents and investments		69,665	65,360

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

Randwick City Council

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

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Randwick City Council

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

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 27/08/2019.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

Those newly adopted standards had no material impact on Council’s reported position, performance and/or disclosures.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Randwick City Council

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

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

(i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,

(ii) employee benefit provisions – refer Note 11.

Significant judgements in applying the Council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations

(b) The Trust Fund

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

No trust funds are currently held by the Council.

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.

Randwick City Council

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

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

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

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases if any) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (i.e. a lease liability) and an asset (i.e. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council’s leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

As at the end of this reporting period, lease agreements currently in place will have no material impact on Council’s reported position, performance and/or disclosures.

Council does not expect any impact on the financial statements from financial activities as a lessor.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

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

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

Council has assessed the relevant revenue streams but particular impact is expected for grant income and rates that are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The impact of AASB15 is expected to have no material impact on Council’s reported position, performance and/or disclosures.

Randwick City Council

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

Note 1. Basis of preparation (continued)

AASB 1058 Income of NFP Entities

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

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

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

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

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

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

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

The impact of AASB1058 is expected to have no material impact on Council's reported position, performance and/or disclosures.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases.

Randwick City Council

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

Note 1. Basis of preparation (continued)

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

The impact of AASB 2018-8 is expected to have no material impact on Council's reported position, performance and/or disclosures.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

Randwick City Council

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

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

$ '000	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
Functions/activities	**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)**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	Restated 2018
Responsible management	93,832	90,795	11,366	13,606	82,466	77,189	3,886	3,197	270,426	240,887
A sense of community	2,005	2,026	9,557	9,461	(7,552)	(7,435)	924	824	136,916	120,542
Places for people	30,818	30,267	88,082	85,316	(57,264)	(55,049)	5,437	3,162	1,042,131	931,664
A prospering City	105	110	825	756	(720)	(646)	15	1	6,787	5,971
Moving around	2,076	2,191	5,902	5,664	(3,826)	(3,473)	15	–	26,865	25,979
Looking after our environment	35,841	34,713	35,897	36,707	(56)	(1,994)	783	278	417,275	369,391
Total functions and activities	**164,677**	**160,102**	**151,629**	**151,510**	**13,048**	**8,592**	**11,060**	**7,462**	**1,900,400**	**1,694,434**

Randwick City Council

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

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

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

Responsible management

Outcome 1: Leadership in sustainability
We will demonstrate leadership by continuously improving the sustainability and rigour of our internal systems of governance, including financial and administrative management, as well as the sustainability of our facilities and activities for the benefit (including environmental and social) of the whole community.

A sense of community

Outcome 2: A vibrant and diverse community
Our community will be proud to be part of our City and celebrate and support its range of cultures and people.

Outcome 3: An informed and engaged community
Our community will participate in shaping our City.

Places for people

Outcome 4: Excellence in urban design and development
Our places and spaces will be inviting, safe, sustainable and contribute to our City's liveability.

Outcome 5: Excellence in recreation and lifestyle opportunities
We will have world class parks, beaches, and a wide range of passive and active recreational facilities and activities.

Outcome 6: A liveable City
We will proactively plan and manage for the built environment to meet our diverse community's needs now and into the future.

Outcome 7: Heritage that is protected and celebrated
Our natural, Aboriginal, built and cultural heritage will be recognised and conserved.

A prospering City

Outcome 8: A strong local economy
Our commercial centres, businesses, industries and institutions will foster innovation and will be thriving, vibrant and attractive places to work, shop and interact.

Moving around

Outcome 9: Integrated and accessible transport
A range of transport choices will enable effective movement to, from and around our City.

Looking after our environment

Outcome 10: A healthy environment
Our natural environment will be protected, enhanced and promoted for future generations.

Randwick City Council

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

Note 3. Income from continuing operations

$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	61,012	57,786
Business	17,162	14,637
Less: pensioner rebates (mandatory)	(758)	(762)
Rates levied to ratepayers	**77,416**	**71,661**
Pensioner rate subsidies received	442	381
Total ordinary rates	**77,858**	**72,042**
Special rates		
Environmental	4,383	4,155
Less: pensioner rebates (Council policy)	(6)	(5)
Total special rates	**4,377**	**4,150**
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	33,680	32,622
Stormwater management services	1,130	1,129
Section 611 charges	158	170
Less: pensioner rebates (mandatory)	(366)	(376)
Less: pensioner rebates (Council policy)	(340)	–
Annual charges levied	**34,262**	**33,545**
Pensioners' subsidies:		
– Domestic waste management	229	177
Total annual charges	**34,491**	**33,722**
TOTAL RATES AND ANNUAL CHARGES	116,726	109,914

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

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

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

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

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

Randwick City Council

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

Note 3. Income from continuing operations (continued)

$ '000	2019	2018
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Waste management services (non-domestic)	1,376	1,461
Total specific user charges	**1,376**	**1,461**
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	2,166	2,169
Regulatory/ statutory fees	1,768	1,615
Alignment fees	75	96
Construction zones	558	672
Other	40	37
Total fees and charges – statutory/regulatory	**4,607**	**4,589**
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Leaseback fees – Council vehicles	605	630
Bus shelter advertising fees	504	579
Cemetery fees	37	31
Child care centre fees	538	635
Community facilities and park hire	2,147	1,704
Enquiries	59	78
Filming permits	121	121
Home maintenance services	34	47
Leisure centre fees	7,934	7,967
Library	10	43
Microfilm prints	196	179
Parking meters	859	862
Parking schemes and traffic management	133	132
Photocopying	70	73
Road and other infrastructure reinstatements	1,066	1,249
Sale of recycled materials	78	284
Shrub and tree sales	307	276
Other	341	317
Total fees and charges – other	**15,039**	**15,207**
TOTAL USER CHARGES AND FEES	21,022	21,257

Accounting policy for user charges and fees

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

Randwick City Council

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

Note 3. Income from continuing operations (continued)

$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	254	229
– Cash and investments	2,006	1,778
– Other	9	5
Fair value adjustments		
– Movements in investments at fair value through profit and loss	175	(11)
TOTAL INTEREST AND INVESTMENT REVENUE	2,444	2,001
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	186	174
General Council cash and investments	2,028	1,622
Restricted investments/funds – external:		
Development contributions		
– Section 7.12 fixed development consent levies	39	36
– Section 7.2 affordable housing	47	43
Domestic waste management operations	60	54
Domestic waste management operations - overdue annual charges	68	55
Stormwater management operations - overdue annual charges	1	1
Restricted investments/funds – internal:		
Internally restricted assets	15	16
Total interest and investment revenue recognised	**2,444**	**2,001**

Accounting policy for interest and investment revenue

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

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

Randwick City Council

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

Note 3. Income from continuing operations (continued)

$ '000	Notes	2019	2018
(d) Other revenues			
Rental income – other council properties		3,121	3,121
Fines – parking		4,007	4,272
Fines – other		512	385
Legal fees recovery – other		46	69
Commissions and agency fees		52	49
Insurance claims recoveries		33	823
Aquatic centre kiosk and merchandise sales		1,034	1,082
Merchant service fee recovery		–	71
Affordable housing agreement (non-cash)		–	2,965
Other		290	476
TOTAL OTHER REVENUE		9,095	13,313

Accounting policy for other revenue

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

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

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

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

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

Randwick City Council

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

Note 3. Income from continuing operations (continued)

$ '000	2019 Operating	2018 Operating	2019 Capital	2018 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	3,346	3,065	–	–
Financial assistance – local roads component	914	938	–	–
Total general purpose	**4,260**	**4,003**	**–**	**–**
Specific purpose				
Child care	355	224	–	–
Environmental programs	283	278	–	–
Library	434	361	–	–
Street lighting	398	389	–	–
Transport (roads to recovery)	450	877		
Transport (other roads and bridges funding)	–	–	625	540
Parks and beaches	–	–	700	251
Community services	469	375	–	–
Stronger Communities Fund	–	–	2,580	–
Smart City Grants	436	–	–	–
Other	70	164	–	–
Total specific purpose	**2,895**	**2,668**	**3,905**	**791**
Total grants	**7,155**	**6,671**	**3,905**	**791**
Grant revenue is attributable to:				
– Commonwealth funding	5,506	5,102	–	–
– State funding	1,649	1,569	3,905	791
	7,155	**6,671**	**3,905**	**791**

Randwick City Council

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

Note 3. Income from continuing operations (continued)

$ '000	Notes	2019 Operating	2018 Operating	2019 Capital	2018 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–	50	–	–
S 7.12 – fixed development consent levies		–	–	2,302	4,079
S7.2 – affordable housing		–	–	281	363
Total developer contributions – cash		**–**	**50**	**2,583**	**4,442**
Total developer contributions	21	**–**	**50**	**2,583**	**4,442**
Other contributions:					
Cash contributions					
Driveways		246	293	65	125
Ex gratia rates		18	17	–	–
Parks and beaches		18	–	–	–
Roads and bridges		–	–	–	2
RMS contributions (regional roads, block grant)		490	523	264	260
Insurance Incentive Schemes		52	–	–	–
Surf Club Facility		–	–	199	–
Co-mingled recycling processing		–	47	–	–
Tree amenity income		62	61	–	–
Paid parental leave scheme		76	32	–	–
Interest free loan for it devices		111	66	–	–
Rating management service		–	158	–	–
Lexington Place Community Hub		59	–	–	–
Other		61	24	26	–
Total other contributions – cash		**1,193**	**1,221**	**554**	**387**
Non-cash contributions					
Dedications		–	–	–	55
Total other contributions		**1,193**	**1,221**	**554**	**442**
Total contributions		1,193	1,271	3,137	4,884
TOTAL GRANTS AND CONTRIBUTIONS		8,348	7,942	7,042	5,675

Accounting policy for grants and contributions

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

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

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

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

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

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

Randwick City Council

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

Note 3. Income from continuing operations (continued)

$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	590	409
Add: operating grants recognised as income in the current period but not yet spent	7,826	4,383
Less: operating grants recognised in a previous reporting period now spent	(7,234)	(4,202)
Unexpended and held as restricted assets (operating grants)	1,182	590
Capital grants		
Unexpended at the close of the previous reporting period	148	148
Add: capital grants recognised as income in the current period but not yet spent	3,905	791
Less: capital grants recognised in a previous reporting period now spent	(825)	(791)
Unexpended and held as restricted assets (capital grants)	3,228	148
Contributions		
Unexpended at the close of the previous reporting period	9,104	6,564
Add: contributions recognised as income in the current period but not yet spent	2,670	4,570
Less: contributions recognised in a previous reporting period now spent	(3,632)	(2,030)
Unexpended and held as restricted assets (contributions)	8,142	9,104

Randwick City Council

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

Note 4. Expenses from continuing operations

$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	50,474	47,997
Employee termination costs (where material – other than vested leave paid)	–	75
Travel expenses	74	74
Employee leave entitlements (ELE)	7,051	5,821
Superannuation – defined contribution plans	4,094	3,861
Superannuation – defined benefit plans	1,084	1,177
Workers' compensation insurance	653	785
Fringe benefit tax (FBT)	360	378
Training costs (other than salaries and wages)	801	557
Other	471	407
Total employee costs	**65,062**	**61,132**
Less: capitalised costs	(855)	(707)
TOTAL EMPLOYEE COSTS EXPENSED	64,207	60,425
Number of 'full-time equivalent' employees (FTE) at year end	**523**	**507**

Accounting policy for employee benefits and on-costs
Employee benefit expenses are recorded when the service has been provided by the employee.

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

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

Randwick City Council

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

Note 4. Expenses from continuing operations (continued)

$ '000	2019	2018
(b) Materials and contracts		
Raw materials and consumables	7,443	7,165
Contractor and consultancy costs		
– Garbage and recycling contracts	16,221	17,136
– Other contractor and consultancy costs	19,839	18,291
Auditors remuneration [1]	78	88
Infringement notice contract costs (SEINS)	570	604
Legal expenses:		
– Legal expenses: planning and development	1,428	1,451
– Legal expenses: other	295	381
TOTAL MATERIALS AND CONTRACTS	45,874	45,116

1. Auditor remuneration

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

Auditors of the Council – NSW Auditor-General:

(i) Audit and other assurance services		
Audit and review of financial statements	78	88
Remuneration for audit and other assurance services	**78**	**88**
Total Auditor-General remuneration	**78**	**88**
Total Auditor remuneration	**78**	**88**

Randwick City Council

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

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	2019	2018
(c) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		2,934	3,106
Office equipment		1,786	1,756
Furniture and fittings		321	288
Land improvements (depreciable)		273	277
Infrastructure:			
– Buildings – non-specialised		1,842	1,776
– Buildings – specialised		2,285	2,179
– Roads		8,759	8,765
– Footpaths		1,807	1,478
– Stormwater drainage		2,375	2,367
– Swimming pools		51	51
– Other open space/recreational assets		1,700	1,956
Other assets:			
– Library books		317	316
Total depreciation and amortisation costs		24,450	24,315
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		24,450	24,315

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

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

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

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

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

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

Randwick City Council

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

Note 4. Expenses from continuing operations (continued)

$ '000	2019	2018
(d) Other expenses		
Animal pest control	22	13
Bad and doubtful debts	52	1
Bank charges, investment charges and payments to council collection	412	390
Community events and functions	1,175	1,379
Contributions/levies to other levels of government		
– Department of planning levy	276	269
– Emergency services levy (includes FRNSW, SES, and RFS levies)	203	221
– NSW fire brigade levy	2,153	2,247
– Other contributions/levies	(664)	43
Councillor expenses – mayoral fee	67	65
Councillor expenses – councillors' fees	377	368
Councillors' expenses (incl. mayor) – other (excluding fees above)	111	180
Donations, contributions and assistance to other organisations (Section 356)	907	790
Election expenses	–	644
Electricity and heating	1,313	1,139
Insurance	2,392	2,228
Street lighting	2,574	2,309
Subscriptions and publications	412	379
Telephone and communications	1,097	1,008
Valuation fees	168	166
Vehicle registration fees	215	236
Water and sewerage	525	521
Other	471	416
TOTAL OTHER EXPENSES	14,258	15,012

Accounting policy for other expenses

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

Randwick City Council

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

Note 5. Gain or loss from the disposal, replacement and de-recognition of assets

$ '000	Notes	2019	2018
Property (excl. investment property)	9		
Less: carrying amount of property assets sold/written off		–	(3,120)
Net gain/(loss) on disposal		**–**	**(3,120)**
Plant and equipment	9		
Proceeds from disposal – plant and equipment		1,320	1,193
Less: carrying amount of plant and equipment assets sold/written off		(1,044)	(1,050)
Net gain/(loss) on disposal		**276**	**143**
Infrastructure	9		
Proceeds from disposal – infrastructure		500	–
Less: carrying amount of infrastructure assets sold/written off		(3,616)	(3,665)
Net gain/(loss) on disposal		**(3,116)**	**(3,665)**
Investments	6b		
Proceeds from disposal/redemptions/maturities – investments		68,948	80,043
Less: carrying amount of investments sold/redeemed/matured		(68,948)	(80,043)
Net gain/(loss) on disposal		**–**	**–**
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,840)	(6,642)

Accounting policy for disposal of assets
Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

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

Note 6(a). Cash and cash equivalent assets

$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	801	138
Cash-equivalent assets		
– Deposits at call	4,648	4,233
Total cash and cash equivalents	**5,449**	**4,371**

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

Randwick City Council

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

Note 6(b). Investments

$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
'Financial assets at fair value through profit and loss'				
– 'Held for trading'	64,216	–	60,989	–
Total investments	**64,216**	**–**	**60,989**	**–**
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	69,665	–	65,360	–
Financial assets at fair value through the				
Long term deposits	32,500	–	29,500	–
NCD's, FRN's (with maturities > 3 months)	31,716	–	31,489	–
Total	**64,216**	**–**	**60,989**	**–**

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

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

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:
– amortised cost
– fair value through profit and loss
– fair value through other comprehensive income – equity instrument

Financial assets are not reclassified subsequent to their initial recognition.

Financial assets through profit or loss

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

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

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

Randwick City Council

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

Note 6(b). Investments (continued)

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

Financial assets at fair value through profit or loss

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

Recognition and de-recognition

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

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

Impairment of financial assets

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

Randwick City Council

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

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

$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	69,665	–	65,360	–
attributable to:				
External restrictions (refer below)	24,899	–	24,140	–
Internal restrictions (refer below)	38,090	–	40,084	–
Unrestricted	6,676	–	1,136	–
	69,665	**–**	**65,360**	**–**

$ '000	2019	2018
Details of restrictions		
External restrictions – other		
Development contributions	8,142	9,104
Specific purpose unexpended grants	4,410	738
Domestic waste management	7,829	9,393
Stormwater management	1,722	1,976
Environmental levy	2,796	2,929
External restrictions – other	24,899	24,140
Total external restrictions	24,899	24,140
Internal restrictions		
Plant and vehicle replacement	4,516	3,708
Employees leave entitlement	6,992	7,825
Carry over works	2,907	6,875
Deposits, retentions and bonds	3,266	3,146
Affordable housing rental scheme	1,069	684
Building levy	5,225	5,694
Des Renford leisure centre	296	251
Economic development	85	98
Election of councillors	207	–
Information and communication technology	570	933
Infrastructure reserve	1,429	1,077
Insurance claims / risk management	172	172
Our Community Our Future	1,094	–
Light rail support plan	814	–
Prince henry centre	62	62
Property development	1,404	1,404
Randwick environmental park	1,442	1,541
Randwick literary institute	35	87
The Heffron centre	6,505	6,527
Total internal restrictions	**38,090**	**40,084**
TOTAL RESTRICTIONS	62,989	64,224

Randwick City Council

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

Note 7. Receivables

$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	3,116	364	2,128	368
Interest and extra charges	204	60	154	69
User charges and fees	2,086	–	1,935	–
Accrued revenues				
– Interest on investments	450	–	374	–
– Other income accruals	898	59	888	75
Government grants and subsidies	742	–	893	–
Net GST receivable	830	–	1,166	–
Total	**8,326**	**483**	**7,538**	**512**
Less: provision for impairment				
User charges and fees	(198)	–	(182)	–
Total provision for impairment – receivables	**(198)**	**–**	**(182)**	**–**
TOTAL NET RECEIVABLES	8,128	483	7,356	512
Externally restricted receivables				
Domestic waste management	941	141	588	120
Total external restrictions	**941**	**141**	**588**	**120**
Unrestricted receivables	**7,187**	**342**	**6,768**	**392**
TOTAL NET RECEIVABLES	8,128	483	7,356	512

Movement in provision for impairment of receivables	**2019**	**2018**
Balance at the beginning of the year (calculated in accordance with AASB 139)	182	185
+ new provisions recognised during the year	52	–
– amounts already provided for and written off this year	(36)	(3)
Balance at the end of the year	**198**	**182**

Accounting policy for receivables

Recognition and measurement

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

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

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

Randwick City Council

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

Note 7. Receivables (continued)

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018
Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

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

When considering the expected credit loss (ECL) for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

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

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

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

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only
For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

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

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

Rates and annual charges outstanding are secured against the property.

Randwick City Council

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

Note 8. Inventories and other assets

$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	306	–	352	–
Trading stock	206	–	186	–
Total inventories at cost	**512**	**–**	**538**	**–**
TOTAL INVENTORIES	512	–	538	–
(b) Other assets				
Prepayments	835	–	752	–
TOTAL OTHER ASSETS	835	–	752	–

Externally restricted assets
There are no restrictions applicable to the above assets.

Accounting policy

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

Randwick City Council

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

Note 9(a). Infrastructure, property, plant and equipment

Asset class	Restated as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019		
$ '000	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	13,512	–	13,512	6,812	843	–	–	(11,475)	–	–	9,692	–	9,692
Plant and equipment	23,472	11,006	12,466	–	5,048	(1,045)	(2,934)	–	–	–	24,620	11,085	13,535
Office equipment	29,114	20,160	8,954	–	2,486	–	(1,786)	4	–	–	31,604	21,946	9,658
Furniture and fittings	8,323	5,575	2,748	–	465	(5)	(321)	–	–	–	8,756	5,869	2,887
Land:													
– Operational land	210,292	–	210,292	–	–	–	–	–	–	–	210,292	–	210,292
– Community land	159,604	–	159,604	–	–	–	–	–	–	–	159,604	–	159,604
– Crown land (restated)	189,801	–	189,801	–	–	–	–	–	–	–	189,801	–	189,801
– Land under roads (post 30/6/08)	4,075	–	4,075	–	–	–	–	–	–	–	4,075	–	4,075
Land improvements – depreciable	19,380	6,783	12,597	289	–	–	(273)	297	(283)	8,240	30,095	9,228	20,867
Infrastructure:													
– Buildings – non-specialised	120,492	54,644	65,848	208	35	(32)	(1,842)	103	–	–	120,695	56,375	64,320
– Buildings – specialised	158,388	56,199	102,189	1,884	121	(74)	(2,285)	1,196	–	–	161,425	58,394	103,031
– Roads	856,785	357,820	498,965	3,856	324	(2,531)	(8,759)	2,773	3,064	70,712	1,038,148	469,744	568,404
– Footpaths	104,519	26,857	77,662	4,916	4,345	(688)	(1,807)	2,694	13,440	17,912	170,157	51,683	118,474
– Stormwater drainage	308,686	119,553	189,133	239	293	(68)	(2,375)	628	–	86,639	356,844	82,355	274,489
– Swimming pools	3,884	2,110	1,774	14	–	–	(51)	–	–	3,401	6,419	1,281	5,138
– Other open space/recreational assets	94,760	26,869	67,891	2,109	1,113	(212)	(1,700)	3,736	(17,112)	7,328	77,164	14,011	63,153
Other assets:													
– Heritage collections	1,479	–	1,479	33	11	(5)	–	42	891	21	2,472	–	2,472
– Library books	7,523	6,604	919	–	274	–	(317)	2	–	–	7,799	6,921	878
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	**2,314,089**	**694,180**	**1,619,909**	**20,360**	**15,358**	**(4,660)**	**(24,450)**	**–**	**–**	**194,253**	**2,609,662**	**788,892**	**1,820,770**

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

Randwick City Council

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

Note 9(a). Infrastructure, property, plant and equipment

Asset class	Restated as at 01/07/2017			Asset movements during the period 1 July 2017 to 30 June 2018								as at 30/6/2018		
$ '000	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments** and transfers	Adjustments to equity*	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	28,010	–	28,010	3,305	1,572	–	–	(12,471)	–	(6,904)	–	13,512	–	13,512
Plant and equipment	24,047	9,705	14,342	–	2,279	(1,049)	(3,106)	–	–	–	–	23,472	11,006	12,466
Office equipment	28,035	18,405	9,630	–	1,080	–	(1,756)	–	–	–	–	29,114	20,160	8,954
Furniture and fittings	8,046	5,287	2,759	–	277	–	(288)	–	–	–	–	8,323	5,575	2,748
Land:														
– Operational land	147,274	–	147,274	–	12,550	(3,120)	–	–	3,120	–	50,468	210,292	–	210,292
– Community land	162,724	–	162,724	–	–	–	–	–	(3,120)	–	–	159,604	–	159,604
– Crown land	189,801	–	189,801	–		–	–	–		–	–	189,801	–	189,801
– Land under roads (post 30/6/08)	4,075	–	4,075	–	–	–	–	–	–	–	–	4,075	–	4,075
Land improvements – depreciable	19,343	6,505	12,838	21	15	–	(277)	–	–	–	–	19,380	6,783	12,597
Infrastructure:														
– Buildings – non-specialised	101,994	45,266	56,728	73	3,055	(105)	(1,776)	438	–	–	7,435	120,492	54,644	65,848
– Buildings – specialised	136,268	56,928	79,340	9,584	–	(1,739)	(2,179)	5,413	–	–	11,770	158,388	56,199	102,189
– Roads	853,949	350,445	503,504	2,360	308	(970)	(8,765)	2,528	–	–	–	856,785	357,820	498,965
– Footpaths	102,482	25,657	76,825	977	1,408	(564)	(1,478)	494	–	–	–	104,519	26,857	77,662
– Stormwater drainage	306,430	117,250	189,180	851	1,291	(85)	(2,367)	263	–	–	–	308,686	119,553	189,133
– Swimming pools	3,884	2,059	1,825	–	–	–	(51)	–	–	–	–	3,884	2,110	1,774
– Other open space/recreational assets	90,843	24,994	65,849	755	111	(203)	(1,956)	3,335	–	–	–	94,760	26,869	67,891
Other assets:														
– Heritage collections	1,438	–	1,438	32	9	–	–	–	–	–	–	1,479	–	1,479
– Library books	7,224	6,288	936	–	299	–	(316)	–	–	–	–	7,523	6,604	919
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	**2,215,867**	**668,789**	**1,547,078**	**17,958**	**24,254**	**(7,835)**	**(24,315)**	**–**	**–**	**(6,904)**	**69,673**	**2,314,089**	**694,180**	**1,619,909**

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

* The presentation of this note now includes Work in Progress (WIP) as a separate line item. Previously these amounts were distributed amongst the asset classes. An adjustment has been undertaken to reconcile WIP.

** Movement corresponds to the Affordable Housing Agreement - refer to Other Revenue

Randwick City Council

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

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

Plant and Equipment	Years	**Open Space assets**	Years
Office equipment	5 to 10	Ocean Pools	100
Office furniture	10 to 20	Swimming pools	50
Computer equipment	3 to 10	Playground equipment	15
Vehicles	5 to 7	Irrigation system	6 to 20
Heavy plant/road making equipment	7	Park furniture	15
Other plant and equipment	2 to 20	Skate park	50
		Cricket nets	10
Transportation assets		Turf cricket wicket	15
'Road formation	Infinite	Fencing	20
Road pavement	120	Lighting	20
Road surface	25	Scoreboards	30
Kerb and Gutter	100	Signage and flagpoles	20
Footpaths	25 to 80	Water tank	15 to 50
Road furniture	10		
Retaining walls	80		
Stormwater assets		**Buildings**	
Pits	100	Buildings: masonry	100
Pipes/conduit	100 to 150	Buildings: other	20 to 100
Library resources			
Library resources	5		

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.

Randwick City Council

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

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

Accounting policy for infrastructure, property, plant and equipment (continued)

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

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

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

Crown reserves
Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

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

$ '000	2019			2018		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management						
Plant and equipment	4,689	1,538	**3,151**	3,525	2,120	**1,405**
Total DWM	**4,689**	**1,538**	**3,151**	**3,525**	**2,120**	**1,405**
TOTAL RESTRICTED IPP&E	**4,689**	**1,538**	**3,151**	**3,525**	**2,120**	**1,405**

Randwick City Council

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

Note 10. Payables and borrowings

$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	2,429	–	4,338	–
Goods and services – capital expenditure	1,067	–	1,231	–
Accrued expenses:				
– Salaries and wages	1,235	–	1,148	–
– Other expenditure accruals	777	–	922	–
Security bonds, deposits and retentions	6,953	–	6,526	–
Total payables	**12,461**	**–**	**14,165**	**–**
Income received in advance				
Payments received in advance	2,198	–	2,092	–
Total income received in advance	**2,198**	**–**	**2,092**	**–**
TOTAL PAYABLES AND BORROWINGS	14,659	–	16,257	–

(a) Payables and borrowings relating to restricted assets

	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Externally restricted assets				
Domestic waste management	2,807	–	3,585	–
Payables and borrowings relating to externally restricted assets	2,807	–	3,585	–
Total payables and borrowings relating to restricted assets	2,807	–	3,585	–
Total payables and borrowings relating to unrestricted assets	11,852	–	12,672	–
TOTAL PAYABLES AND BORROWINGS	14,659	–	16,257	–

[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 17.

Randwick City Council

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

Note 10. Payables and borrowings (continued)

$ '000	2019	2018

(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	5,009	4,702
	5,009	**4,702**

(c) Financing arrangements

(i) Unrestricted access was available at balance date to the following lines of credit:	2019	2018
Bank overdraft facilities [1]	400	400
Total financing arrangements	**400**	**400**
Undrawn facilities as at balance date:		
– Bank overdraft facilities	400	400
Total undrawn financing arrangements	**400**	**400**

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

Accounting policy for payables and borrowings

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

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

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

Randwick City Council

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

Note 11. Provisions

$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits:				
Annual leave	4,577	–	4,649	–
Sick leave	1,492	–	1,746	–
Long service leave	12,589	286	12,120	191
Gratuities	185	–	165	–
Other leave	52	–	47	–
TOTAL PROVISIONS	**18,895**	**286**	**18,727**	**191**

(a) Provisions relating to restricted assets
There are no restricted assets (external or internal) applicable to the above provisions

$ '000	2019	2018
(b) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	12,626	13,123
	12,626	**13,123**

(c) Description of and movements in provisions

			ELE provisions			
2019	**Annual leave**	**Sick leave**	**Long service leave**	**ELE on-costs**	**Other employee benefits**	**Total**
At beginning of year	4,649	1,746	12,311	–	212	**18,918**
Additional provisions	4,019	–	3,325	–	88	**7,432**
Amounts used (payments)	(4,091)	(254)	(2,761)	–	(63)	**(7,169)**
Total ELE provisions at end of year	**4,577**	**1,492**	**12,875**	**–**	**237**	**19,181**

Randwick City Council

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

Note 11. Provisions (continued)

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

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

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

Employee benefits

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

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

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

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

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

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

Randwick City Council

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

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve
The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements in the revaluation of non-current assets.

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

Nature of prior-period error

As a result of the introduction of the Crowns Land Management Act, 2016 which commenced on 1 July 2018, a schedule of Crown reserves that are either under the management of Council as the appointed reserve trust manager or devolve to council management under section 48 of the Local Government Act 1993, was provided to Council by the NSW Department of Planning, Industry and Environment.

From the NSW Department of Planning, Industry and Environment schedule, a number of Crown Land reserve parcels have been identified that were controlled by Council in previous reporting periods but not recorded in Council's Crown Land asset register.

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

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

Changes to the opening Statement of Financial Position at 1 July 2017

Statement of Financial Position	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Infrastructure, property, plant and equipment	1,477,870	69,208	1,547,078
Total Assets	**1,557,452**	**69,208**	**1,626,660**
Revaluation Reserve	722,065	69,208	791,273
Total equity	**1,518,690**	**69,208**	**1,587,898**

Randwick City Council

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

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

$ '000

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

Adjustments to the comparative figures for the year ended 30 June 2018

Statement of Financial Position	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Infrastructure, property, plant and equipment	1,557,472	62,437	1,619,909
Total assets	**1,631,997**	**62,437**	**1,694,434**
Revaluation Reserve	790,165	62,437	852,602
Total equity	**1,596,822**	**62,437**	**1,659,259**

Statement of Comprehensive Income	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Gain(Loss) on Revaluation of IPPE	69,540	(6,771)	62,769
Other comprehensive income	**69,540**	**(6,771)**	**62,769**
Total comprehensive income for the year	**78,132**	**(6,771)**	**71,361**

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

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

Classification of financial assets

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

– measured at amortised cost
– fair value through profit or loss
– fair value through other comprehensive income – equity instruments

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions

Randwick City Council

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

Note 13. Statement of cash flows – additional information

$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	5,449	4,371
Less bank overdraft	13	–	–
Balance as per the Statement of Cash Flows		**5,449**	**4,371**
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		**13,048**	**8,592**
Adjust for non-cash items:			
Depreciation and amortisation		24,450	24,315
Net losses/(gains) on disposal of assets		2,840	6,642
Non-cash capital grants and contributions		–	(3,020)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(175)	11
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(759)	220
Increase/(decrease) in provision for impairment of receivables		16	(3)
Decrease/(increase) in inventories		26	35
Decrease/(increase) in other current assets		(83)	72
Increase/(decrease) in payables		(1,909)	406
Increase/(decrease) in other accrued expenses payable		(58)	(3,650)
Increase/(decrease) in other liabilities		533	104
Increase/(decrease) in provision for employee benefits		263	436
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		**38,192**	**34,160**
(c) Non-cash investing and financing activities			
Other dedications		–	55
Affordable housing agreement		–	2,965
Other non-cash items		–	260
Total non-cash investing and financing activities		**–**	**3,280**

Randwick City Council

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

Note 14. Interests in other entities

$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	–	–	7	7
Total	**–**	**–**	**7**	**7**

Joint ventures

Summarised financial information for individually immaterial joint ventures

Council is a member of the Premsure Insurance Pool, but holds an immaterial interest in the Joint Venture. This has been accounted for using the equity method.

Individually immaterial joint ventures	2019	2018
Aggregate carrying amount of individually immaterial joint ventures	**7**	**7**

Note 15. Commitments

$ '000	2019	2018
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	2,046	1,396
Plant and equipment	572	357
Open Space	270	1,551
Roads	4,039	1,401
Drainage	219	29
Total commitments	**7,146**	**4,734**
These expenditures are payable as follows:		
Within the next year	7,146	4,734
Total payable	**7,146**	**4,734**
Sources for funding of capital commitments:		
Unrestricted general funds	402	477
Externally restricted reserves	359	1,814
Internally restricted reserves	6,385	2,443
Total sources of funding	**7,146**	**4,734**

Details of capital commitments
The Council has committed to a number of projects including renewal of the tennis centre at Heffron Park, drainage works along Duke Street Kensington and structural works at Wylies Baths. Orders have also been placed for Council's ongoing plant replacement program.

Randwick City Council

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

Note 16. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 2019 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(ii) Defined benefit plans

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

– Assets are not segregated within the sub-group according to the employees of each sponsoring employer.

– The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.

– Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.

– The same actuarial assumptions are currently used in respect of the employees of each sponsoring

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

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

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

Randwick City Council

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

Note 16. Contingencies and other assets/liabilities not recognised (continued)

LIABILITIES NOT RECOGNISED *(continued)*

1. Guarantees (*continued)*

(ii) Defined benefit plans *(continued)*

The past service contribution for each pooled employer is a share of the total past service contributions of $40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2019 was $1,055,514.52. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA, on 31 December 2018 and covers the year ended 30 June 2018.

Council's expected contribution to the plan for the next annual reporting period is $1,076,893.08.

The estimated employer reserves financial position for the pooled employees at 30 June 2019 is:

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

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

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

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

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

* Plus promotional increases

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

Randwick City Council

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

Note 16. Contingencies and other assets/liabilities not recognised (continued)

LIABILITIES NOT RECOGNISED *(continued)*

2.Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

(ii) Premsure Insurance Pool

Council has disclosed it holds an immaterial interest in the joint venture Premsure Insurance Pool in Note 14.

It is known that some funds are held by the Pool and that they will be distributed to members upon closure of the pool. Accordingly, at year end there is a potential asset of the Council in the amount of distribution from the Pool.

However, there is no reliable basis upon which Council is able to determine the value of this potential asset.

(iii) Southern Phone Company Ltd

Council holds one ordinary share and one redeemable preference share AA in Southern Phone Company Ltd.

The redeemable preference share AA has a value of $1 per Southern Phone Company Ltd.'s company constitution. The value of the ordinary share was estimated by Earnst & Young to be $55,500 as at 30 June 2019, a mid-point value between $50,400 and $60,600 (valuation report commissioned by Southern Phone for 30 June 2019). The estimated mid-point value at 30 June 2018 was $88,100.

Council has not recognise these shares as the estimated ordinary share value is a mid-point value in a reasonably wide range which has dropped considerably since 30 June 2018, and the shares' total value is not material.

Randwick City Council

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

Note 17. Financial risk management

$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2019	2018	2019	2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	5,449	4,371	5,449	4,371
Receivables	8,611	7,868	8,611	7,868
Fair value through profit and loss				
Investments				
– 'Held for trading'	64,216	60,989	64,216	60,989
Total financial assets	**78,276**	**73,228**	**78,276**	**73,228**
Financial liabilities				
Measured at amortised cost				
Payables	12,461	14,165	12,461	14,165
Total financial liabilities	**12,461**	**14,165**	**12,461**	**14,165**

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.

Randwick City Council

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

Note 17. 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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the instruments held are:

– **Price risk** – the risk that the capital value of investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

– **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

– **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due

– **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
2019	**Profit**	**Equity**	**Profit**	**Equity**
Possible impact of a 10% movement in market values	317	317	(317)	(317)
Possible impact of a 1% movement in interest rates	675	675	(675)	(675)
2018				
Possible impact of a 10% movement in market values	315	315	(315)	(315)
Possible impact of a 1% movement in interest rates	44	44	(44)	(44)

Randwick City Council

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

Note 17. Financial risk management (continued)

$ '000

(b) Credit risk

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

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

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

There are no significant concentrations of credit risk, other than Council has significant credit risk exposures in its local area given the nature of the business.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

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

Credit risk profile

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

$ '000	Not yet overdue	< 1 year overdue	1 – 2 years overdue	2 – 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	2,272	458	254	496	**3,480**
2018						
Gross carrying amount	–	1,594	153	205	544	**2,496**

Randwick City Council

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

Note 17. Financial risk management (continued)

$ '000

(b) Credit risk (continued)

Receivables – non-rates and annual charges

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

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

$ '000	Not yet overdue	0 – 30 days overdue	31 – 60 days overdue	61 – 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	4,113	461	105	37	613	**5,329**
2018						
Gross carrying amount	3,274	1,512	233	126	409	**5,554**

Randwick City Council

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

Note 17. 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.

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

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

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

$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 – 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	6,953	5,508	-	-	12,461	**12,461**
Total financial liabilities		**6,953**	**5,508**	**–**	**–**	**12,461**	**12,461**
2018							
Trade/other payables	0.00%	6,526	5,547	-	-	12,073	**12,073**
Total financial liabilities		**6,526**	**5,547**	**–**	**–**	**12,073**	**12,073**

Randwick City Council

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

Note 18. Material budget variations

$ '000

Council's original financial budget for 18/19 was adopted by the Council on 26 June 2018 and is not required to be audited.

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

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

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.
Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation

$ '000	2019 Budget	2019 Actual	2019 ---------- Variance* ----------		
REVENUES					
Rates and annual charges	**116,286**	**116,726**	**440**	**0%**	**F**
User charges and fees	**18,593**	**21,022**	**2,429**	**13%**	**F**
Major contributors to the favourable budget variation included: - increased use of Councils community facilities including community halls, Prince Henry Centre, sportsfields, synthetic sportsfields and bus shelters - a higher than expected road restorations (with corresponding increase in expenses for contracts), trade waste, parking meters fee and works zones - Learnt to Swim School fees and gym memberships at DRLC were also higher than anticipated.					
Interest and investment revenue	**1,625**	**2,444**	**819**	**50%**	**F**
Investment portfolios was at a higher level than originally budgeted due to some of the larger projects being carried over into the 2019-20FY.					
Other revenues	**9,053**	**9,095**	**42**	**0%**	**F**
Operating grants and contributions	**6,759**	**8,348**	**1,589**	**24%**	**F**
Budget variations included: - NSW Grants Commission paid in advance to NSW Councils the first two instalments of their 2019/20 Financial Assistance Grant allocation - Roads to Recovery grant budgeted as capital revenue but recognised as operating on the income statement as per the Office of Local Government Accounting Code - receipt of Federal Smart City Grant not in the original budget					
Capital grants and contributions	**4,196**	**7,042**	**2,846**	**68%**	**F**
Council received NSW Stronger Community Fund of $2.58m and Coogee Beach Stormwater Diversion Grant $500k which were not in the original budget.					

Randwick City Council

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

Note 18. Material budget variations (continued)

$ '000	2019 Budget	2019 Actual	2019 Variance*		
EXPENSES					
Employee benefits and on-costs	64,719	64,207	512	1%	F
Borrowing costs	1,281	–	1,281	100%	F
Council defer the loan draw down to 2019-20 FY based on the staging of the capital works funding requirement.					
Materials and contracts	37,976	45,874	(7,898)	(21%)	U
The main contributors to the unfavourable original budget variation in materials and contracts included: - Jack Vanny Reserve Remediation works of $2m was undertaken due to an EPA notice which was not in the original budget - items of operating expenditure which were budgeted as capital items but did not qualify as capital expenditure and subsequently expensed, such as Information and Communication Technology and drainage flood area study - increased expenditure related to road restorations which was offset with corresponding increased in road restorations revenue - transactions contained within material and contracts that were budgeted under 'other expenses' budget, corresponding with a favourable budget variation for that expenditure category - Planning and Development legal expenses higher than originally budgeted - expenditure relating to grant funded activities which were not originally budgeted but received during the year.					
Depreciation and amortisation	23,702	24,450	(748)	(3%)	U
Other expenses	15,465	14,258	1,207	8%	F
Net losses from disposal of assets	3,067	2,840	227	7%	F
The annual result included the movement in written down value of disposal fleet assets and disposal of infrastructure assets from renewal projects.					
STATEMENT OF CASH FLOWS					
Cash flows from operating activities	39,186	38,192	(994)	(2.5%)	U
Cash flows from investing activities	(61,628)	(37,114)	24,514	(39.8%)	F
The variation is due to the timing of capital creditors payments from projects commitments being carried forward into 2019-20FY.					
Cash flows from financing activities	26,174	–	(26,174)	(100.0%)	U

Randwick City Council

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

Note 19. 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

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:

2019	Fair value measurement hierarchy			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Financial assets				
Investments				
– 'Held for trading'	–	64,216	–	64,216
Total financial assets	**–**	**64,216**	**–**	**64,216**
Infrastructure, property, plant and equipment				
Plant & Equipment	–	–	13,535	13,535
Office Equipment	–	–	9,658	9,658
Furniture & Fittings	–	–	2,887	2,887
Operational Land	–	–	210,292	210,292
Community Land	–	–	159,604	159,604
Land Under Roads	–	–	4,075	4,075
Depreciable Land Improvements	–	–	20,867	20,867
Buildings - Non Specialised	–	–	64,320	64,320
Buildings - Specialised	–	–	103,031	103,031
Roads	–	–	568,404	568,404
Footpaths	–	–	118,474	118,474
Stormwater Drainage	–	–	274,489	274,489
Swimming Pools	–	–	5,138	5,138
Other Open Space/Recreational Assets	–	–	63,153	63,153
Heritage Collections	–	–	2,472	2,472
Library Books	–	–	878	878
Crown Land	–	–	189,801	189,801
Total infrastructure, property, plant and equipment	**–**	**–**	**1,811,078**	**1,811,078**

Randwick City Council

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

Note 19. Fair value measurement (continued)

$ '000

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

Restated 2018	Fair value measurement hierarchy Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Recurring fair value measurements				
Financial assets				
Investments				
– 'Held for trading'	–	60,989	–	60,989
Total financial assets	**–**	**60,989**	**–**	**60,989**
Infrastructure, property, plant and equipment				
Plant & Equipment	–	–	12,466	12,466
Office Equipment	–	–	8,954	8,954
Furniture & Fittings	–	–	2,748	2,748
Operational Land	–	–	210,292	210,292
Community Land	–	–	159,604	159,604
Land Under Roads	–	–	4,075	4,075
Depreciable Land Improvements	–	–	12,597	12,597
Buildings - Non Specialised	–	–	65,848	65,848
Buildings - Specialised	–	–	102,189	102,189
Roads	–	–	498,965	498,965
Footpaths	–	–	77,662	77,662
Stormwater Drainage	–	–	189,133	189,133
Swimming Pools	–	–	1,774	1,774
Other Open Space/Recreational Assets	–	–	67,891	67,891
Heritage Collections	–	–	1,479	1,479
Library Books	–	–	919	919
Crown Land	–	–	189,801	189,801
Total infrastructure, property, plant and equipment	**–**	**–**	**1,606,397**	**1,606,397**

(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.

Randwick City Council

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

Note 19. 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 2 and level 3 inputs are as follows:

Financial assets

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

Plant & Equipment, Office Equipment and Furniture & Fittings

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

Operational Land

The valuation of Council's operational land was undertaken at 30 June 2018 by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

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

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

Level 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre.

There may, also, be special use parcels where there was no observable market evidence. This land was valued utilising Level 3 inputs, with the valuer using professional judgement to adjust the rate per square metre from the sales evidence available.

Community Land

Council's community land was valued based on the Land Value (LV) provided by the Valuer-General in 2016. Where the Valuer-General did not provide LV an average unit rate based on the LV for similar community land was used, having regard to the highest and best use for the land. There has been no change to the valuation techniques during the reporting period.

Crown Land

The valuation of Council's crown land was undertaken at 30 June 2019 by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

Randwick City Council

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

Note 19. Fair value measurement (continued)

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

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

Level 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre.

There are, also, parks, reserves and other special use parcels where there was no observable market evidence. This land was valued utilising Level 3 inputs, with the valuer using professional judgement to adjust the rate per square metre from the sales evidence available.

Land Under Roads

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

Buildings - Non specialised and Specialised

Council's buildings were valued utilising the cost approach by Scott Fullarton Valuations Pty Ltd (SFV) at 31 August 2017.

SFV’s schedule provides the Gross Carrying Amount 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.

Specialised buildings were valued utilising the cost approach by professionally qualified Registered Valuers. The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs.

Roads

The valuation of Council’s roads was undertaken at 30 June 2019 using the cost approach by in-house staff comprising of Council engineers and asset management staff.

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

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

Randwick City Council

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

Note 19. Fair value measurement (continued)

Stormwater Drainage

The valuation of Council's stormwater drainage assets was undertaken at 30 June 2019 using the cost approach by in-house staff comprising of Council engineers and asset management staff.

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

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

Swimming Pools

The valuation of Council's swimming pools was undertaken at 30 June 2019 using the cost approach by in-house staff comprising of Council engineers and asset management staff.

Assets within this class comprise the Des Renford Leisure Centre Pools and also Council's rockpools. The approach estimated the replacement cost for each pool by componentising its significant parts.

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

Open Space Assets

The valuation of Council's open space assets was undertaken at 30 June 2019 using the cost approach by in-house staff comprising of Council engineers and asset management staff.

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

Randwick City Council

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

Note 19. 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 & Equ Other Equ, Furn & Fit	Land	Depreciable Land Improvemt	Total
Opening balance – 1/7/17 (Restated)	26,990	503,874	13,188	544,052
Purchases (GBV)	3,636	12,550	36	16,222
Disposals (WDV)	(1,049)	(3,120)	–	(4,169)
Depreciation and impairment	(5,150)	–	(277)	(5,427)
Revaluation Increments	–	50,468	–	50,468
Adjustment of opening balance	(259)		(350)	(609)
Closing balance – 30/6/18 (Restated)	**24,168**	**563,772**	**12,597**	**600,537**
Transfers from/(to) another asset class	–	–	(283)	(283)
Purchases (GBV)	8,003	–	586	8,589
Disposals (WDV)	(1,050)	–	–	(1,050)
Depreciation and impairment	(5,041)	–	(273)	(5,314)
Revaluation Increments	–	–	8,240	8,240
Closing balance – 30/6/19	**26,080**	**563,772**	**20,867**	**610,719**

	Buidlings	Infrastruc-ture	Other Assets	Total
Opening balance – 1/7/17	147,246	852,806	2,974	1,003,026
Transfers from/(to) another asset class	5,851	6,620	–	12,471
Purchases (GBV)	12,712	8,061	340	21,113
Disposals (WDV)	(1,844)	(1,822)	–	(3,666)
Depreciation and impairment	(3,955)	(14,617)	(316)	(18,888)
Revaluation Increments	19,205	–	–	19,205
Adjustment of opening balance	(11,178)	(15,623)	(600)	(27,401)
Closing balance – 30/6/18	**168,037**	**835,425**	**2,398**	**1,005,860**
Transfers from/(to) another asset class	–	(608)	891	283
Purchases (GBV)	3,547	27,040	362	30,949
Disposals (WDV)	(106)	(3,499)	(5)	(3,610)
Depreciation and impairment	(4,127)	(14,692)	(317)	(19,136)
Revaluation Increments	–	185,992	21	186,013
Closing balance – 30/6/19	**167,351**	**1,029,658**	**3,350**	**1,200,359**

Randwick City Council

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

Note 19. Fair value measurement (continued)

$ '000

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

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

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

Class	Fair value (30/6/19) $'000	Valuation technique/s	Unobservable inputs
Financial assets			
Investments	64,216	Advisor report	* Unit price
IPP&E			
Plant & Equipment, Other Equipment & Furn & Fittings	26,080	Depreciated historical cost used to approximate fair value	* Gross replacement cost * Remaining useful life
Operational Land	210,292	Independent valuer report	* Price per square metre
Community Land	159,604	Land values obtained from the NSW Valuer-General	* VG value (price per square metre)
Crown Land	189,801	Independent valuer report	* Price per square metre
Land Under Roads	4,075	Average municipal rate, determined by the NSW Valuer-General, after applying 90% discount to reflect restricted nature of asset.	* VG value (price per square metre)
Depreciable Land Improvement	20,867	Unit rates per m2 or length	* Gross replacement cost * Asset condition * Remaining useful life
Buildings	167,351	Non-Specialised Buildings: market value Specialised Buildings: replacement cost	* Gross replacement cost * Asset condition * Remaining useful life

Randwick City Council

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

Note 19. Fair value measurement (continued)

$ '000

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

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

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

Class	Fair value (30/6/19) $'000	Valuation technique/s	Unobservable inputs
IPP&E (continued)			
Roads & Footpaths	686,878	Unit rates per m2 or length	* Gross replacement cost * Asset condition * Remaining useful life
Stormwater Drainage	274,489	Unit rates per m2 or length	* Gross replacement cost * Asset condition * Remaining useful life
Swimming Pools	5,138	Unit rates per m2 or length	* Gross replacement cost * Asset condition * Remaining useful life
Other Open Space/ Recreational Assets	63,153	Unit rates per m2 or length	* Gross replacement cost * Asset condition * Remaining useful life
Library Books	878	Cost used to approximate fair value	* Gross replacement cost * Remaining useful life
Heritage Collections	2,472	Cost used and market values used to approximate fair value	* Gross replacement cost (monuments) * Market value (fine arts)

(5). Highest and best use

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

Randwick City Council

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

Note 20. Related party transactions

$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.
Council has identified Councillors, the General Manager and Directors as KMP.

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

Compensation:	**2019**	**2018**
Short-term benefits	1,883	1,844
Post-employment benefits	101	164
Termination benefits[1]	349	–
Total	**2,333**	**2,008**

[1] Termination benefits are annual leave and long service leave paid out on termination

Randwick City Council

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

Note 20. Related party transactions (continued)

$ '000

b. Other transactions with KMP and their related parties

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

Nature of the transaction **2019**	Value of transactions during year	Outstanding balance (including commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
Supply of Design Review / Planning /Consultant Services[1]	71	258	30 days	-	-
Supply of IT&C Managed Colocation Services[2]	80	138	30 days	-	-

[1] AJC Architects was awarded the contract by Council through a tender process. A family member of a KMP of Council works for the organisation. The KMP was not involved in the voting of the tender.

[2] NTT Communications ICT Solutions P/L was awarded the contract by Council through a tender process. A family member of a KMP of Council works for the organisation. The KMP was not involved in the voting of the tender.

Randwick City Council

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

Note 21. Statement of developer contributions

$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.12 levies – under a plan	**4,480**	**2,302**	**–**	**39**	**(3,631)**	**–**	**3,190**	**–**
Total S7.11 and S7.12 revenue under plans	**4,480**	**2,302**	**–**	**39**	**(3,631)**	**–**	**3,190**	**–**
s7.2 planning agreements (affordable housing)	4,574	281	–	47	–	–	**4,902**	
s7.4 planning agreement (operational)	50	–	–	–	–	–	**50**	
Total contributions	**9,104**	**2,583**	**–**	**86**	**(3,631)**	**–**	**8,142**	**–**

Randwick City Council

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

Note 22(a). Statement of performance measures – consolidated results

$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	Prior periods 2017	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue [1] excluding capital grants and contributions less operating expenses [2]	8,671	5.51%	6.20%	3.71%	> 0.00%
Total continuing operating revenue [1] excluding capital grants and contributions	157,460				
2. Own source operating revenue ratio					
Total continuing operating revenue [1] excluding all grants and contributions	148,441	90.24%	91.15%	89.55%	> 60.00%
Total continuing operating revenue [1]	164,502				
3. Unrestricted current ratio					
Current assets less all external restrictions	53,300	4.06x	3.63x	3.35x	> 1.5x
Current liabilities less specific purpose liabilities	13,112				
4. Debt service cover ratio					
Operating result [1] before capital excluding interest and depreciation/impairment/amortisation	33,121	0.00x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	–				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	3,744	3.15%	2.41%	2.84%	< 5% Metro < 10% Regional & Rural
Rates, annual and extra charges collectible	119,028				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	37,949	3.33 mths	3.0 mths	3.8 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	11,390				

Notes

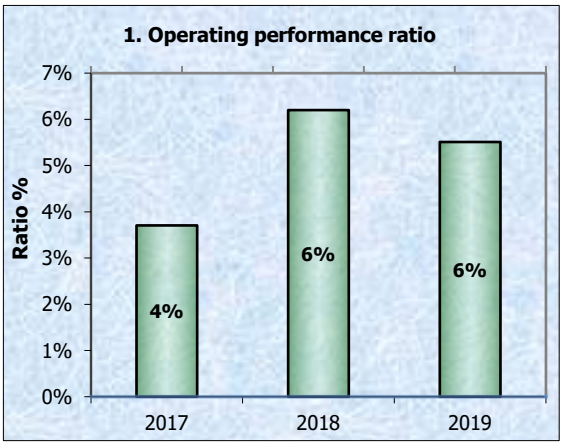
[1] Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and the net gain on share of interests in joint ventures and associates.

[2] Excludes impairment/revaluation decrements, net loss on sale of assets and the net loss on share of interests in joint ventures and associates.

Randwick City Council

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

Note 22(b). Statement of performance measures – consolidated results (graphs)



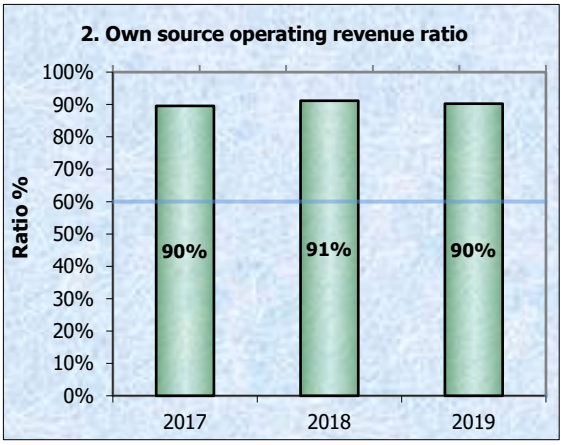
Purpose of operating performance ratio
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2018/19 result
2018/19 ratio 5.51%
The Operating Performance Ratio of 5.51% is a strong postive result and above the 0% industry benchmark set by the Office of Local Government. Last year's ratio was slightly higher due to a one off non cash property agreement.

Benchmark: ——— Minimum >=0.00%

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

Ratio achieves benchmark
Ratio is outside benchmark



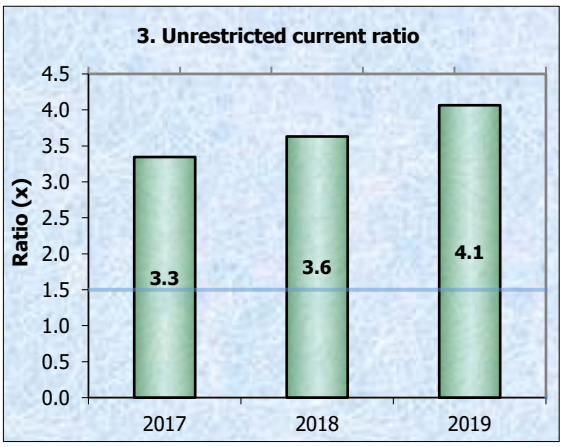
Purpose of own source operating revenue ratio
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2018/19 result
2018/19 ratio 90.24%
The ratio remains well in excess of the 60% benchmark, with Council's reliance on external funding one of the lowest of all Councils in NSW.

Benchmark: ——— Minimum >=60.00%

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

Ratio achieves benchmark
Ratio is outside benchmark



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

Commentary on 2018/19 result
2018/19 ratio 4.06x
Council's liquidity remains strong and is well above the 1.5 benchmark consistent with prior years.

Benchmark: ——— Minimum >=1.50

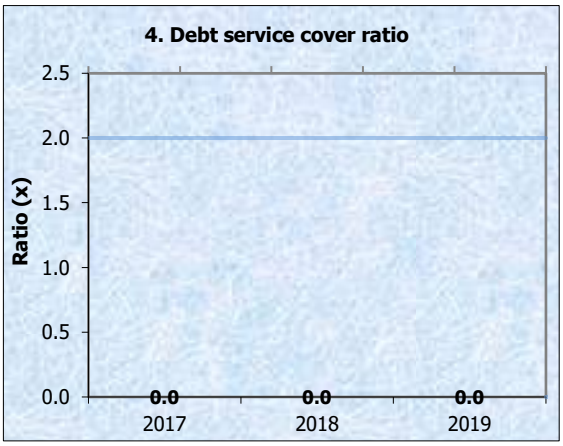
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
Ratio is outside benchmark

Randwick City Council

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

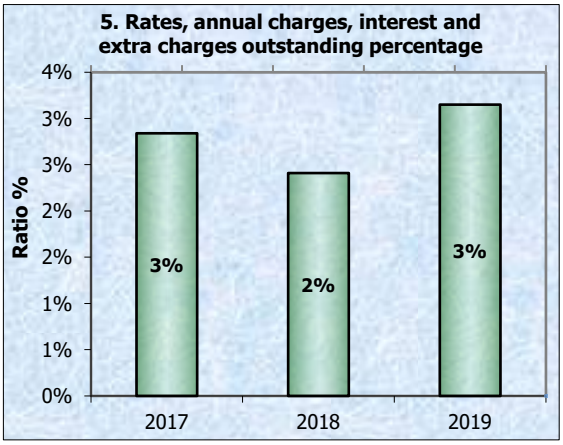
Note 22(b). Statement of performance measures – consolidated results (graphs)



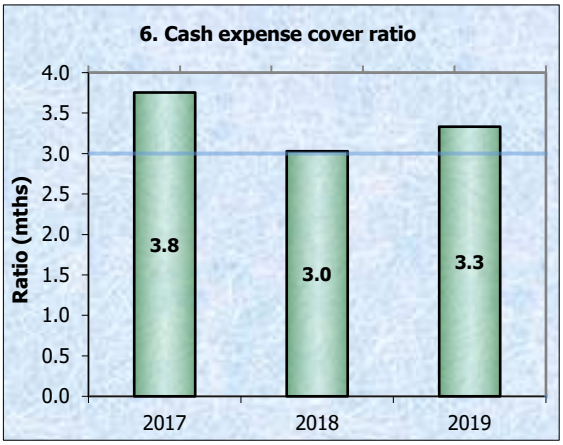
Purpose of debt service cover ratio	Commentary on 2018/19 result
	2018/19 ratio 0.00x
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments	Council has no loans for this reporting period.

Benchmark: ——— Minimum >=2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio	Commentary on 2018/19 result
	2018/19 ratio 3.15%
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.	The outstanding rates and charges ratio of 3.15% is well below the benchmark of 5%.



Purpose of cash expense cover ratio	Commentary on 2018/19 result
	2018/19 ratio 3.33 mths
This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.	The cash balance as at 30 June 2019 would support the operations of Council for a period 3.36 months should no other cash be received by Council. This is within industry benchmark and reflects Council's effective cashflow management.

Benchmark: ——— Minimum >=3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
Ratio is outside benchmark

Randwick City Council

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

Note 23. Council information and contact details

Principal place of business:
30 Frances Street
Randwick NSW 2031

Contact details

Mailing address:
30 Frances Street
Randwick NSW 2031

Opening hours:
Mon to Fri
8:30am to 5.00pm

Telephone: 02 9093 6000
Facsimile: 02 9319 1510

Internet: www.randwick.nsw.gov.au
Email: council@randwick.nsw.gov.au

Officers

GENERAL MANAGER
Ms Therese Manns

RESPONSIBLE ACCOUNTING OFFICER
Mr David MacNiven

PUBLIC OFFICER
Mr David Kelly

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

Elected members

MAYOR
Cl Kathy Neilson

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

Other information

ABN: 77 362 844 121

INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Randwick City Council

To the Councillors of the Randwick City Council

Opinion

I have audited the accompanying financial statements of Randwick City Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

9 October 2019
SYDNEY

Cr Danny Said
Mayor
Randwick City Council
30 Frances Street
Randwick NSW 2031

Contact: Caroline Karakatsanis
Phone no: 02 9275 7143
Our ref: D1923503/1781

9 October 2019

Dear Mayor

Report on the Conduct of the Audit

for the year ended 30 June 2019

Randwick City Council

I have audited the general purpose financial statements (GPFS) of the Randwick City Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I will express an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2019 $m	2018 $m	Variance %
Rates and annual charges revenue	116.7	109.9	6.2
Grants and contributions revenue	15.4	13.6	13.2
Operating result for the year	13.0	8.6	51.2
Net operating result before capital grants and contributions	6.0	2.9	107

Council's operating result ($13 million including the effect of depreciation and amortisation expense of $24.5 million) was $4.4 million higher than the 2017–18 result. This was mainly due to an increase in rates and annual charges.

The net operating result before capital grants and contributions ($6 million) was $3.1 million higher than the 2017–18 result due to the increase rates and annual charges.

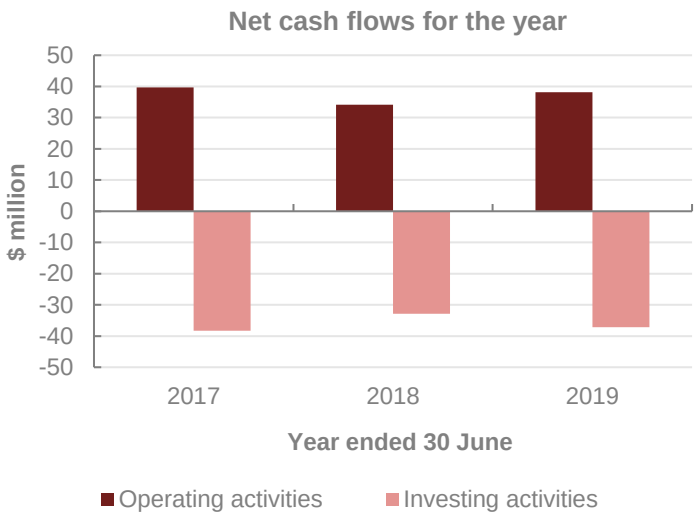
Rates and annual charges revenue ($116.7 million) increased by $6.8 million (6.2 per cent) in 2018–2019. Council had an approved Special Rate Variation which resulted in an increase of general rates revenue by 7.64 per cent in 2018–19.

Grants and contributions revenue ($15.4 million) increased by $1.8 million (13.2 per cent) in 2018–2019. This was mainly due to the receipt of $2.6 million in capital funding from the Stronger Communities Fund.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by $1.1 million to $5.4 million at the close of the year.

No financing activities – Council remains debt free.



FINANCIAL POSITION

Cash and investments

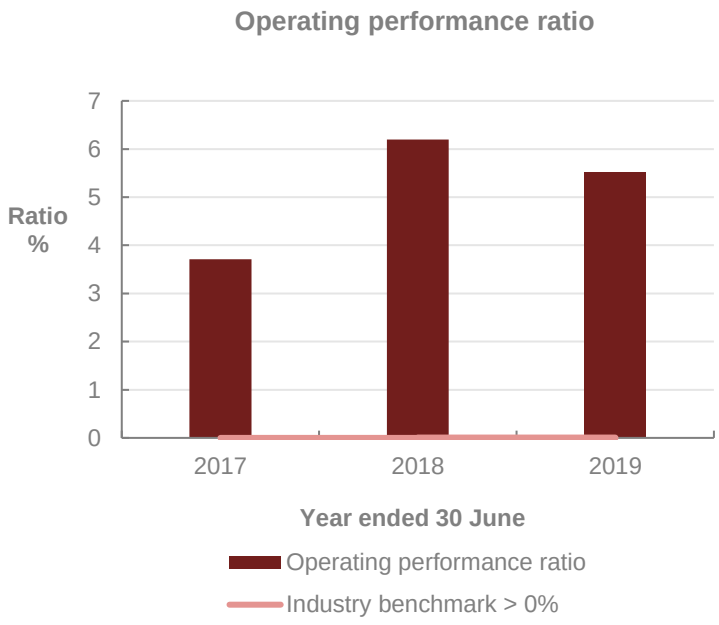
Cash and investments	2019	2018	Commentary
	$m	$m	
External restrictions	24.9	24.2	• External restrictions include unspent specific purpose grants, developer contributions, domestic waste management and stormwater charges, and environmental levies.
Internal restrictions	38.1	40.1	
Unrestricted	6.7	1.1	
Cash and investments	69.7	65.4	• Balances are internally restricted due to Council policy or decisions for forward plans including works program.
			• Unrestricted balances provide liquidity for day-to-day operations.

PERFORMANCE

Operating performance ratio

- Council's operating performance indicator of 5.5 per cent in 2018–19 (6.2 per cent in 2017–18) exceeded the industry benchmark.

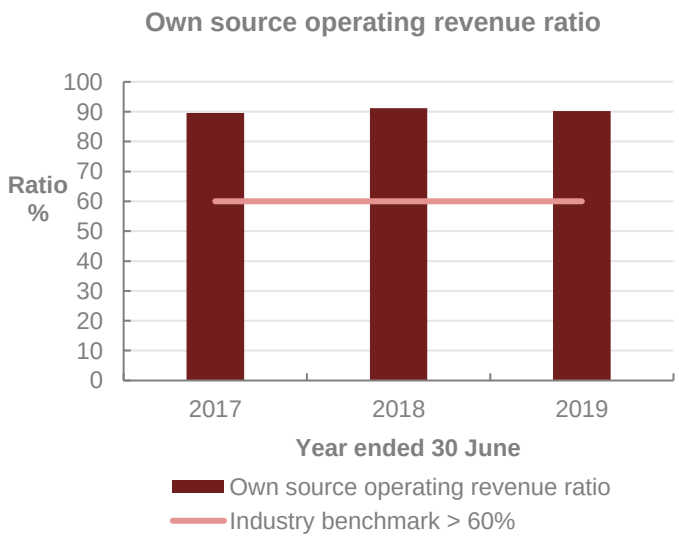
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 90.2 per cent in 2018–19 (91.2 per cent in 2017–18) exceeded the industry benchmark.
- This indicator fluctuates with movements in grants and contributions.

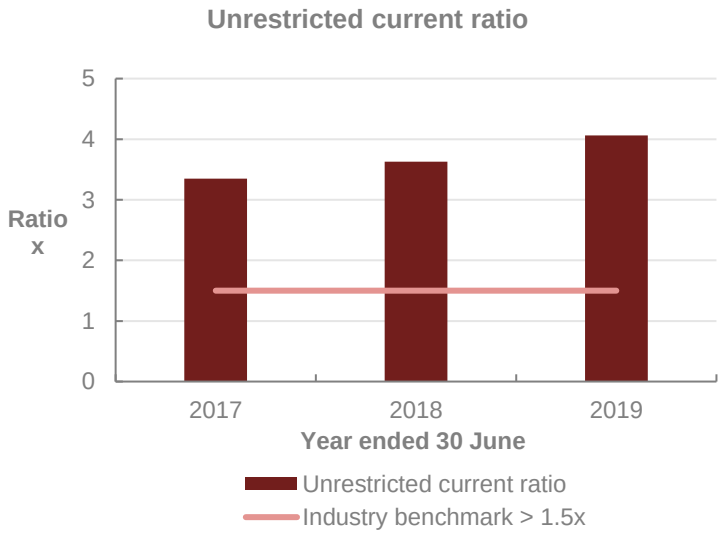
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- This ratio indicated that Council had 4.1 times of unrestricted current assets available to service every one dollar of its unrestricted current liabilities.
- Council's unrestricted current ratio increased to 4.1 as at 30 June 2019 (3.6 for 2018) and exceeded the industry benchmark.

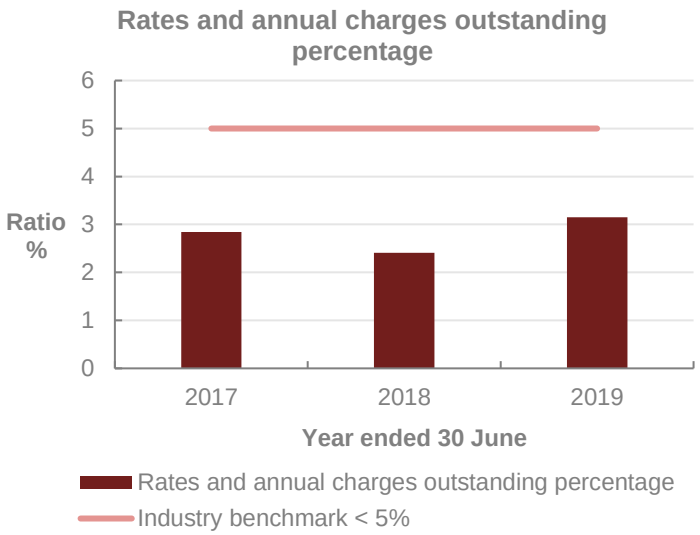
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Rates and annual charges outstanding percentage

- Council's indicator of 3.2 per cent as at 30 June 2019 (2.4 per cent as at 30 June 2018) met the benchmark.

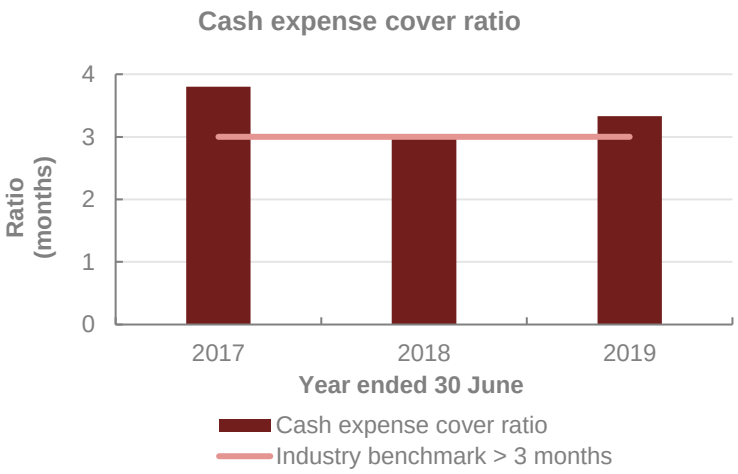
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 3.3 months for 2018–19 (3 months for 2017–18) met the benchmark.

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



Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were $20.4 million compared to $18.0 million for the prior year.
- Renewals primarily consisted of transport infrastructure and buildings.
- The level of asset renewals during the year represented 83 percent of the total depreciation expense ($24.5 million) for the year.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting. Key changes include: • a simplified model for classifying and measuring financial assets • a new method for calculating impairment • a new type of hedge accounting that more closely aligns with risk management. The revised AASB 7 includes new disclosures as a result of AASB 9. The impact of adopting AASB 9 is disclosed in Notes 6, 7 and 12.

Legislative compliance

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

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

The Council's:

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

Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Therese Manns, General Manager
Jeremy Bingham Chair of the Internal Audit Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Randwick City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Randwick City Council
a sense of community

Randwick City Council

Special Purpose Financial Statements
for the year ended 30 June 2019

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Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than $2 million that Council has formally declared as a business activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Randwick City Council

Special Purpose Financial Statements
for the year ended 30 June 2019

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 27 August 2019.

Cr Kathy Neilson
Mayor
27 August 2019

Cr Danny Said
Deputy Mayor
27 August 2019

Ms Therese Manns
General Manager
27 August 2019

Mr David MacNiven
Responsible Accounting Officer
27 August 2019

Randwick City Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2019

	Property Management		Child Care Centre	
	Category 1		Category 2	
$ '000	**2019**	**2018**	**2019**	**2018**
Income from continuing operations				
User charges	5,970	5,196	541	638
Grants and contributions provided for non-capital purposes	–	–	355	224
Total income from continuing operations	**5,970**	**5,196**	**896**	**862**
Expenses from continuing operations				
Employee benefits and on-costs	222	212	746	692
Materials and contracts	305	199	174	196
Depreciation, amortisation and impairment	4,126	3,956	–	–
Calculated taxation equivalents	683	936	13	14
Other expenses	37	65	392	381
Total expenses from continuing operations	**5,373**	**5,368**	**1,325**	**1,283**
Surplus (deficit) from continuing operations before capital amounts	**597**	**(172)**	**(429)**	**(421)**
Surplus (deficit) from continuing operations after capital amounts	**597**	**(172)**	**(429)**	**(421)**
Surplus (deficit) from all operations before tax	**597**	**(172)**	**(429)**	**(421)**
Less: corporate taxation equivalent (30%) [based on result before capital]	(179)	–	–	–
SURPLUS (DEFICIT) AFTER TAX	**418**	**(172)**	**(429)**	**(421)**
Plus accumulated surplus	31,728	19,354	(89)	(72)
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	683	936	14	14
– Corporate taxation equivalent	179	–	–	–
Add:				
– Subsidy paid/contribution to operations	(2,014)	11,610	401	390
Closing accumulated surplus	**30,994**	**31,728**	**(103)**	**(89)**
Return on capital %	**0.3%**	**-0.1%**	**-6128.6%**	**-5262.5%**
Subsidy from Council	**2,134**	**6,305**	**429**	**421**

Randwick City Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2019

	Leisure Centre		Community Nursery	
	Category 1		Category 2	
$ '000	**2019**	**2018**	**2019**	**2018**
Income from continuing operations				
User charges	7,934	7,967	119	130
Other income	1,034	1,082	306	275
Total income from continuing operations	**8,968**	**9,049**	**425**	**405**
Expenses from continuing operations				
Employee benefits and on-costs	5,674	5,499	358	386
Materials and contracts	1,418	1,375	668	574
Depreciation, amortisation and impairment	67	66	121	79
Calculated taxation equivalents	323	316	–	–
Other expenses	2,287	2,147	114	91
Total expenses from continuing operations	**9,769**	**9,403**	**1,261**	**1,130**
Surplus (deficit) from continuing operations before capital amounts	**(801)**	**(354)**	**(836)**	**(725)**
Surplus (deficit) from continuing operations after capital amounts	**(801)**	**(354)**	**(836)**	**(725)**
Surplus (deficit) from all operations before tax	**(801)**	**(354)**	**(836)**	**(725)**
SURPLUS (DEFICIT) AFTER TAX	**(801)**	**(354)**	**(836)**	**(725)**
Plus accumulated surplus	559	288	483	621
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	323	316	–	–
Add:				
– Subsidy paid/contribution to operations	2,648	309	855	587
Closing accumulated surplus	**2,729**	**559**	**502**	**483**
Return on capital %	**-20.8%**	**-20.9%**	**-208.0%**	**-176.4%**
Subsidy from Council	**852**	**401**	**841**	**736**

Randwick City Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2019

	Trade Waste Category 2	
$ '000	**2019**	**2018**
Income from continuing operations		
User charges	1,506	1,588
Other income	31	27
Total income from continuing operations	**1,537**	**1,615**
Expenses from continuing operations		
Employee benefits and on-costs	337	399
Materials and contracts	739	645
Other expenses	591	566
Total expenses from continuing operations	**1,667**	**1,610**
Surplus (deficit) from continuing operations before capital amounts	**(130)**	**5**
Surplus (deficit) from continuing operations after capital amounts	**(130)**	**5**
Surplus (deficit) from all operations before tax	**(130)**	**5**
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(2)
SURPLUS (DEFICIT) AFTER TAX	**(130)**	**3**
Plus accumulated surplus	58	69
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	2
Add:		
– Subsidy paid/contribution to operations	115	(16)
Closing accumulated surplus	**43**	**58**
Return on capital %	**n/a**	**n/a**
Subsidy from Council	**130**	**–**

Randwick City Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2019

	Property Management		Child Care Centre	
	Category 1		Category 2	
$ '000	**2019**	**2018**	**2019**	**2018**
ASSETS				
Current assets				
Receivables	275	242	2	4
Total Current Assets	**275**	**242**	**2**	**4**
Non-current assets				
Infrastructure, property, plant and equipment	206,922	219,810	7	8
Total non-current assets	**206,922**	**219,810**	**7**	**8**
TOTAL ASSETS	**207,197**	**220,052**	**9**	**12**
LIABILITIES				
Current liabilities				
Payables	–	–	18	17
Provisions	74	76	78	65
Total current liabilities	**74**	**76**	**96**	**82**
Non-current liabilities				
Provisions	–	–	16	19
Total non-current liabilities	**–**	**–**	**16**	**19**
TOTAL LIABILITIES	**74**	**76**	**112**	**101**
NET ASSETS	207,123	219,976	(103)	(89)
EQUITY				
Accumulated surplus	30,994	31,728	(103)	(89)
Revaluation reserves	176,129	188,248	–	–
TOTAL EQUITY	207,123	219,976	(103)	(89)

Randwick City Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2019

	Leisure Centre		Community Nursery	
	Category 1		Category 2	
$ '000	**2019**	**2018**	**2019**	**2018**
ASSETS				
Current assets				
Receivables	121	57	1	28
Inventories	20	16	187	171
Total Current Assets	**141**	**73**	**188**	**199**
Non-current assets				
Infrastructure, property, plant and equipment	3,849	1,693	402	411
Total non-current assets	**3,849**	**1,693**	**402**	**411**
TOTAL ASSETS	**3,990**	**1,766**	**590**	**610**
LIABILITIES				
Current liabilities				
Other	861	707	–	–
Provisions	391	499	84	127
Total current liabilities	**1,252**	**1,206**	**84**	**127**
Non-current liabilities				
Provisions	9	1	4	–
Total non-current liabilities	**9**	**1**	**4**	**–**
TOTAL LIABILITIES	**1,261**	**1,207**	**88**	**127**
NET ASSETS	2,729	559	502	483
EQUITY				
Accumulated surplus	2,729	559	502	483
TOTAL EQUITY	2,729	559	502	483

Randwick City Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2019

	Trade Waste Category 2	
$ '000	**2019**	**2018**
ASSETS		
Current assets		
Receivables	81	99
Total Current Assets	**81**	**99**
TOTAL ASSETS	**81**	**99**
LIABILITIES		
Current liabilities		
Provisions	31	41
Total current liabilities	**31**	**41**
Non-current liabilities		
Provisions	7	–
Total non-current liabilities	**7**	**–**
TOTAL LIABILITIES	**38**	**41**
NET ASSETS	43	58
EQUITY		
Accumulated surplus	43	58
TOTAL EQUITY	43	58

Randwick City Council

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

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 2005*, 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, fair values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

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

National Competition Policy

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

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

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

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

These disclosures are reflected in Council’s pricing and/or financial reporting systems and include taxation equivalents, Council subsidies and returns 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 – *Business activities with gross operating turnover more than $2 million*

a. Property Management

Management of Council owned rental properties

b. Leisure Centre

Des Renford Leisure Centre

Randwick City Council

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

Note 1. Significant accounting policies (continued)

Category 2 – *Business activities with gross operating turnover less than $2 million*

a. Child Care

Moverly Children's Centre

b. Community Nursery

Propagate plants for use by Council and sale to the community.

c. Trade Waste

Collection and disposal of trade waste from commercial premises.

Monetary amounts

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **30%**

Land tax – the first $692,000 of combined land values attracts **0%**. For the combined land values in excess of $692,001 up to $3,846,000 the rate is **1.6% + $100**. For the remaining combined land value that exceeds $4,231,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of $850,000.

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.

Randwick City Council

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

Note 1. Significant accounting policies (continued)

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

(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

Randwick City Council

To the Councillors of the Randwick City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Randwick City Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2019, the Statement of Financial Position of each Declared Business Activity as at 30 June 2019, Note 1 Significant accounting policies for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Property management
- Child care centre
- Leisure centre
- Community nursery
- Trade waste.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements 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 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, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

9 October 2019
SYDNEY

Randwick City Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

Randwick City Council
a sense of community

Randwick City Council

Special Schedules
for the year ended 30 June 2019

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Randwick City Council

Permissible income for general rates

for the year ended 30 June 2020

$'000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation [1]			
Last year notional general income yield	a	82,750	76,685
Plus or minus adjustments [2]	b	208	176
Notional general income	c = (a + b)	**82,958**	**76,861**
Permissible income calculation			
Special variation percentage [3]	d	11.42%	7.64%
Or rate peg percentage	e	0.00%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	(4,456)	–
Plus special variation amount	h = d x (c – g)	8,965	5,872
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	**87,467**	**82,733**
Plus (or minus) last year's carry forward total	l	2	1
Less valuation objections claimed in the previous year	m	(29)	(11)
Sub-total	n = (l + m)	**(27)**	**(10)**
Total permissible income	o = k + n	**87,440**	**82,723**
Less notional general income yield	p	87,430	82,750
Catch-up or (excess) result	q = o – p	**11**	**(27)**
Plus income lost due to valuation objections claimed [4]	r	–	29
Less unused catch-up [5]	s	–	–
Carry forward to next year [6]	t = q + r – s	**11**	**2**

Notes

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

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

(3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.

(4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.

(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 permissible income from general rates in the financial data return (FDR) to administer this process.

INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Randwick City Council

To the Councillors of Randwick City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Randwick City Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

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GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | **f** 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

9 October 2019
SYDNEY

Randwick City Council

Report on Infrastructure Assets as at 30 June 2019

$'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	2018/19 Required maintenance[a]	2018/19 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	509	509	2,608	3,358	167,351	282,120	36%	11%	52%	1%	0%
	Sub-total	**509**	**509**	**2,608**	**3,358**	**167,351**	**282,120**	**36.0%**	**11.0%**	**52.0%**	**1.0%**	**0.0%**
Roads	Sealed roads	2,670	2,670	1,635	2,768	437,622	839,242	25%	70%	3%	1%	1%
	Footpaths	444	444	508	1,581	118,474	170,157	19%	37%	42%	2%	0%
	Other road assets	1,063	1,063	857	1,369	130,782	198,906	17%	46%	31%	5%	1%
	Sub-total	**4,177**	**4,177**	**3,000**	**5,718**	**686,878**	**1,208,305**	**22.8%**	**61.4%**	**13.1%**	**1.8%**	**0.9%**
Stormwater drainage	Stormwater drainage	873	873	1,045	1,980	274,489	356,844	16%	73%	10%	1%	0%
	Sub-total	**873**	**873**	**1,045**	**1,980**	**274,489**	**356,844**	**16.0%**	**73.0%**	**10.0%**	**1.0%**	**0.0%**
Open space/ recreational assets	Swimming pools	–	–	72	64	5,138	6,419	0%	9%	91%	0%	0%
	Other Open Space / Recreational Assets	624	624	314	997	63,153	77,164	42%	45%	9%	3%	1%
	Sub-total	**624**	**624**	**386**	**1,061**	**68,291**	**83,583**	**38.8%**	**42.2%**	**15.3%**	**2.8%**	**0.9%**
	TOTAL – ALL ASSETS	**6,183**	**6,183**	**7,039**	**12,117**	**1,197,009**	**1,930,852**	**24.2%**	**55.4%**	**18.3%**	**1.6%**	**0.6%**

Notes:

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

Infrastructure asset condition assessment 'key'

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

Randwick City Council

Report on Infrastructure Assets (continued)
for the year ended 30 June 2019

	Amounts 2019	Indicator 2019	Prior periods 2018	2017	Benchmark
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio (1)					
Asset renewals (2)	20,010	**106.33%**	119.65%	107.03%	>= 100%
Depreciation, amortisation and impairment	18,819				
2. Infrastructure backlog ratio (1)					
Estimated cost to bring assets to a satisfactory standard	6,183	**0.51%**	0.65%	0.66%	< 2.00%
Net carrying amount of infrastructure assets	1,217,876				
3. Asset maintenance ratio					
Actual asset maintenance	12,117	**172.14%**	159.94%	154.79%	> 100%
Required asset maintenance	7,039				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	6,183	**0.32%**	0.39%	0.39%	
Gross replacement cost	1,930,852				

Notes

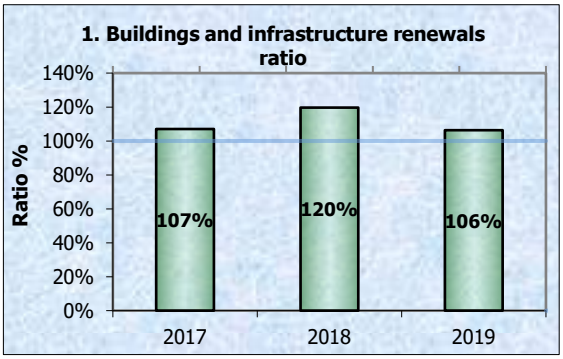
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Randwick City Council

Report on Infrastructure Assets (continued)
for the year ended 30 June 2019



Purpose of asset renewals ratio

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

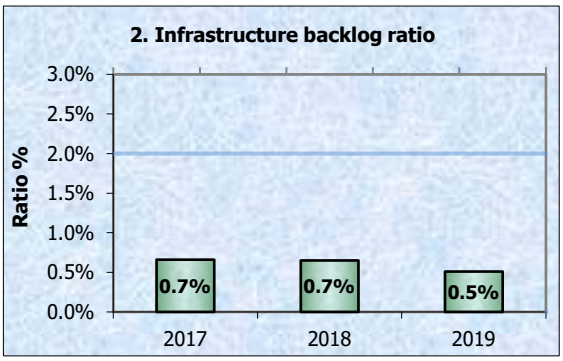
Commentary on 2018/19 result

2018/19 Ratio 106.33%

Council's ratio is above the benchmark and consistent with prior years reflecting Council's continuos effective infrastructure planning and management practices.

Benchmark: ——— Minimum >=100.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of infrastructure backlog ratio

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

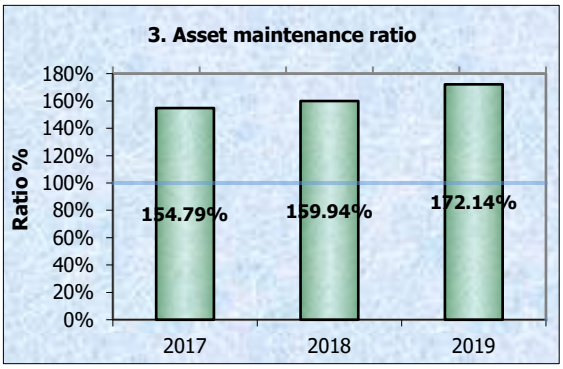
Commentary on 2018/19 result

2018/19 Ratio 0.51%

Council's infrastructure backlog ratio remains below the benchmark correlating with the strong level of assets renewals and asset maintenance ratios.

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

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of asset maintenance ratio

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

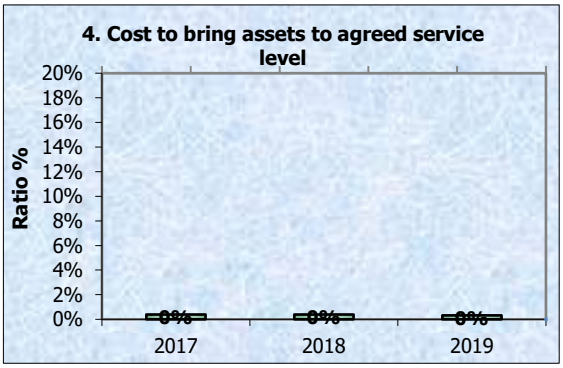
Commentary on 2018/19 result

2018/19 Ratio 172.14%

Council continues to sufficiently fund the maintenance of its assets ensuring assets are kept in a satisfactory condition for the community.

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

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio

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

Commentary on 2018/19 result

2018/19 Ratio 0.32%

Council's continual high level of asset renewals means that Council has a low cost to bring assets to agreed service level ratio.

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Randwick City Council
a sense of community