

Inner West Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018



Inner West Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

2-14 Fisher St
Petersham NSW 2049

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

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

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

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

Inner West Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

Who uses the financial statements?

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

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

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

Inner West Council

General Purpose Financial Statements for the year ended 30 June 2018

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.

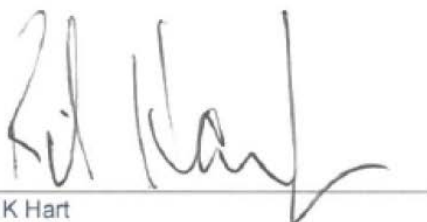
Signed in accordance with a resolution of Council made on 30 October 2018.



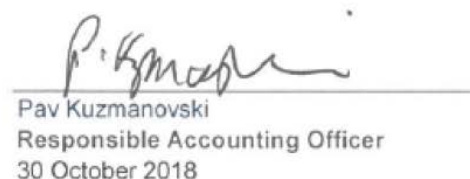
Darcy Byrne
Mayor
30 October 2018



Victor Macri
Deputy Mayor
30 October 2018



RIK Hart
General Manager
30 October 2018



Pav Kuzmanovski
Responsible Accounting Officer
30 October 2018

Inner West Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Restated 13/5/16 to 30/6/17 *
Income from continuing operations				
Revenue:				
153,381	Rates and annual charges	3a	153,473	152,854
43,510	User charges and fees	3b	41,720	46,263
5,042	Interest and investment revenue	3c	6,057	7,444
24,100	Other revenues	3d	24,020	28,596
12,855	Grants and contributions provided for operating purposes	3e,f	11,486	30,878
10,699	Grants and contributions provided for capital purposes	3e,f	16,838	49,030
Other income:				
–	Net share of interests in joint ventures and associates using the equity method	15	468	436
249,587	Total income from continuing operations		254,062	315,501
Expenses from continuing operations				
126,368	Employee benefits and on-costs	4a	109,311	119,569
906	Borrowing costs	4b	860	1,305
61,675	Materials and contracts	4c	62,241	74,034
26,600	Depreciation and amortisation	4d	28,296	30,849
27,777	Other expenses	4e	28,372	25,960
–	Net losses from the disposal of assets	5	1,224	3,564
–	Revaluation decrement / impairment of IPP&E	4d,13(b)	8,999	24,838
243,326	Total expenses from continuing operations		239,303	280,119
6,261	Operating result from continuing operations		14,759	35,382
6,261	Net operating result for the year		14,759	35,382
Gain on local government amalgamation				
–	Assets and liabilities transferred from former councils	13(b)	–	2,143,170
6,261	Net result for the year		14,759	2,178,552
6,261	Net result attributable to Council		14,759	2,178,552
(4,438)	Net operating result for the year before grants and contributions provided for capital purposes		(2,079)	(13,648)

* As indicated, the comparative reporting period represents 13 and a half months, compared to the current reporting period of 12 months, refer to Note 1 for more information.

Inner West Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	Actual 2018	Restated 13/5/16 to 30/6/17 *
Net result for the year (as per Income Statement)		14,759	2,178,552
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	107,942	78,191
Total items which will not be reclassified subsequently to the operating result		107,942	78,191
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		107,942	78,191
Total comprehensive income for the year		122,701	2,256,743
Total comprehensive income attributable to Council		122,701	2,256,743

* As indicated, the comparative reporting period represents thirteen and a half months, compared to the current reporting period of 12 months, refer to Note 1 for more information.

Inner West Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	Actual 2018	Restated 2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	12,835	18,668
Investments	6b	142,488	145,588
Receivables	7	16,468	17,027
Inventories	8	178	207
Other	8	3,827	2,340
Total current assets		175,796	183,830
Non-current assets			
Investments	6b	61,991	40,550
Receivables	7	25,302	216
Infrastructure, property, plant and equipment	9	2,160,169	2,078,795
Investment property	10	28,040	28,040
Investments accounted for using the equity method	15	3,493	3,025
Total non-current assets		2,278,995	2,150,626
TOTAL ASSETS		2,454,791	2,334,456
LIABILITIES			
Current liabilities			
Payables	11	30,208	25,579
Income received in advance	11	1,764	1,296
Borrowings	11	4,232	4,688
Provisions	12	27,898	30,950
Total current liabilities		64,102	62,513
Non-current liabilities			
Borrowings	11	9,104	13,356
Provisions	12	2,141	1,844
Total non-current liabilities		11,245	15,200
TOTAL LIABILITIES		75,347	77,713
Net assets		2,379,444	2,256,743
EQUITY			
Accumulated surplus		2,193,311	2,178,552
Revaluation reserves	13	186,133	78,191
Council equity interest		2,379,444	2,256,743
Total equity		2,379,444	2,256,743

Inner West Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	Restated 13/5/16 to 30/6/17 *	Restated IPP&E	Restated Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
Opening balance		2,178,552	78,191	2,256,743	–	–	–
Net result for the year (prior to restatements)		14,759	–	14,759	2,257,804	–	2,257,804
Correction of prior period errors	13	–	–	–	(79,252)	–	(79,252)
Restated net result for the year		14,759	–	14,759	2,178,552	–	2,178,552
Other comprehensive income							
Amounts that will not be reclassified subsequent to operating result							
– Correction of prior period errors	13	–	–	–	–	22,273	22,273
– Gain (loss) on revaluation of IPP&E	9a	–	107,942	107,942	–	55,918	55,918
Total Other comprehensive income for the year		–	107,942	107,942	–	78,191	78,191
Total comprehensive income for the year		14,759	107,942	122,701	2,178,552	78,191	2,256,743
Equity – balance at end of the reporting period		2,193,311	186,133	2,379,444	2,178,552	78,191	2,256,743

Inner West Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Restated 13/5/16 to 30/6/17 *
Cash flows from operating activities				
Receipts:				
153,381	Rates and annual charges		152,937	172,701
43,510	User charges and fees		56,246	47,280
5,041	Investment and interest revenue received		6,857	6,725
23,554	Grants and contributions		28,067	71,136
–	Bonds, deposits and retention amounts received		1,757	1,066
24,100	Other		6,689	36,843
Payments:				
(126,368)	Employee benefits and on-costs		(112,136)	(118,762)
(61,675)	Materials and contracts		(67,975)	(81,844)
(904)	Borrowing costs		(865)	(1,630)
(27,777)	Other		(47,564)	(32,611)
32,862	Net cash provided (or used in) operating activities	14b	24,013	100,904
Cash flows from investing activities				
Receipts:				
250,000	Sale of investment securities		266,502	216,338
51	Sale of infrastructure, property, plant and equipment		37,355	4,334
Payments:				
(250,000)	Purchase of investment securities		(284,843)	(251,595)
(65,477)	Purchase of infrastructure, property, plant and equipment		(44,152)	(59,268)
(65,426)	Net cash provided (or used in) investing activities		(25,138)	(90,191)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(4,704)	Repayment of borrowings and advances		(4,708)	(7,618)
(4,704)	Net cash flow provided (used in) financing activities		(4,708)	(7,618)
(37,268)	Net increase/(decrease) in cash and cash equivalents		(5,833)	3,095
–	Plus: cash and cash equivalents – beginning of year	14a	18,668	–
–	Plus: cash transferred on amalgamation of councils		–	15,573
(37,268)	Cash and cash equivalents – end of the year	14a	12,835	18,668
Additional Information:				
plus:	Investments on hand – end of year	6b	204,479	186,138
Total cash, cash equivalents and investments			217,314	204,806

* As indicated, the comparative reporting period represents thirteen and a half months, compared to the current reporting period of 12 months, refer to Note 1 for more information.

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 30/10/2018.

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

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

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.

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 19 – Material budget variations

and are clearly marked.

The comparative reporting period reflects the local government Council Amalgamations Proclamation 2016 under the Local Government Act 1993 (NSW) which transferred the assets and liabilities of 3 former councils:

- Ashfield Council
- Leichhardt Council
- Marrickville Council

to Inner West Council as at 12 May 2016.

Pursuant to the Proclamation on 12 May 2016 at 12.10 pm, the comparative financial statements were prepared for the period commencing on the date of establishment of Inner West Council, being 13 May 2016 and ending on 30 June 2017. As a result, the comparative revenue, expenditure and cash flows are representative of a thirteen and a half month reporting period, rather than the current 12 month reporting period.

(a) New and amended standards adopted by Council

There have been no new accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

AASB 124 Related Party Disclosures was adopted for the first time in the financial statements.

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

Note 21 has now been included in these financial statements for related parties and incorporates all required related party disclosures.

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

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

- (i) estimated fair values of investment properties –refer Note 10,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (iii) employee benefit provisions – refer Note 12.

Significant judgements in applying the Council's accounting policies

- (iv) 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
- Other-CivicRisk Metro; and
- Other-CivicRisk Mutual Pools.

(b) The Trust Fund

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

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Trust monies and other assets are held by Council but are not considered to be under the control of Council and therefore are excluded from these financial statements. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

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

- AASB 9 *Financial Instruments*

This replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

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

- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- **AASB 16 Leases**

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

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

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	2017
Children and Family Services	15,622	10,432	15,560	18,436	62	(8,004)	–	–	–	–
Community Events	119	98	3,129	3,059	(3,010)	(2,961)	–	–	–	–
Community Services and Culture	2,124	1,282	7,993	6,733	(5,869)	(5,451)	1,966	2,693	182	22,750
Corporate Support Services	139,597	204,891	102,124	91,034	37,473	113,857	6,569	29,777	2,422,738	1,042,732
Development Assessment	5,277	4,765	5,866	15,493	(589)	(10,728)	–	1,295	–	–
Environment and Sustainability	644	2,017	3,784	17,650	(3,140)	(15,633)	333	981	9	127,657
Footpaths, Roads, Traffic and Stormwater	13,034	20,717	25,226	31,728	(12,192)	(11,011)	1,479	1,326	24,751	902,607
Library and Historical Services	630	538	8,226	9,170	(7,596)	(8,632)	689	–	–	–
Recreation and Aquatics	10,122	14,407	10,752	21,817	(630)	(7,410)	–	3,661	77	218,232
Regulatory Services	14,448	8,773	12,668	15,235	1,780	(6,462)	–	2	6,336	290
Resource Recovery	39,749	31,761	27,570	32,210	12,179	(449)	–	29	698	20,188
Strategic Planning	3,476	9,564	4,784	3,256	(1,308)	6,308	–	–	–	–
Trees, Parks and Sportsfields	9,220	6,256	11,621	14,298	(2,401)	(8,042)	–	–	–	–
Total functions and activities	254,062	315,501	239,303	280,119	14,759	35,382	11,036	39,764	2,454,791	2,334,456

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Children and Family Services

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

Community Events

- Deliver Council's annual program of community events to engage citizens in the community life of the inner west.

Community Services and Culture

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

Corporate Support Services

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

Development Assessment

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

Environment and Sustainability

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

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Footpaths, Roads, Traffic and Stormwater

- Plan, design and construct infrastructure
- Maintain and manage infrastructure:
 - Road Pavements
 - Roadside furniture
 - Kerb and Gutter
 - Footpaths
 - Cycleways
 - Bridges
 - Streetscape
 - Road reserve signage and pavement markings
 - Stormwater drainage
 - Traffic facilities and devices
 - Public carparks

Library and History Services

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

Recreation and Aquatics

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

Regulatory Services

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

Resource Recovery

- Undertake strategic planning for Resource Recovery and provide policy, education and information that leads to behaviour change.
- Deliver daily collection and transport services to more than 90,000 households and businesses across the Inner West for waste and recycling.

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Strategic Planning

- Protect and improve the local, natural and built environment through land use policy and strategy development.
- Guide the efficient and effective use and distribution of Council's resources.
- Guide the delivery of local infrastructure ensuring it supports forecast growth.
- Deliver a suite of plans to drive change and economic development, shape future growth outcomes and guide the delivery of infrastructure.

Tree, Parks and Sportsfields

- Maintain, renew and upgrade parks, reserves and sporting grounds and public open space.
- Coordinate recreation planning and programs for parks.
- Manage the implementation of the Urban Forest Policy including both public and private trees.
- Maintain Council's trees.

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential	77,705	73,230
Business	34,746	35,435
Total ordinary rates	112,451	108,665
Special rates		
Environmental levy	240	217
Urban street	181	180
Total special rates	421	397
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	37,302	40,484
Stormwater management services	1,754	1,829
Waste management services (non-domestic)	1,391	1,189
Section 611 charges	154	290
Total annual charges	40,601	43,792
TOTAL RATES AND ANNUAL CHARGES	153,473	152,854

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

Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

Inner West Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific ‘actual use’ charges)		
Domestic waste management services	218	197
Waste management services (non-domestic)	398	941
Total specific user charges	616	1,138
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building services – other	379	272
Private works – section 67	226	361
Regulatory/ statutory fees	862	6,136
Town planning	5,696	397
Town planning (includes court awards – fines and costs)	–	230
Building services	23	276
Regulatory – compliance	1,416	1,075
Regulatory fees – other	889	870
Total fees and charges – statutory/regulatory	9,491	9,617
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aged care	66	147
Child care	14,898	15,075
Community centres	406	1,530
Hoarding fees	854	1,005
Leisure centre	8,116	7,858
Meals on wheels	291	310
Park rents	872	896
Parking fees	3,869	4,628
Pool (admissions)	655	2,189
Recreation – oval hire, rents	–	110
Other	1,586	1,760
Total fees and charges – other	31,613	35,508
TOTAL USER CHARGES AND FEES	41,720	46,263

Accounting policy for user charges and fees

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

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	437	598
– Cash and investments	5,620	6,421
– Other	–	403
Amortisation of premiums and discounts		
– ‘Held to maturity’ investments	–	5
Other	–	17
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>6,057</u>	<u>7,444</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	437	598
General Council cash and investments	4,870	5,738
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	750	1,040
Domestic waste management operations	–	68
<u>Total interest and investment revenue recognised</u>	<u>6,057</u>	<u>7,444</u>

Accounting policy for interest and investment revenue

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

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Other revenues			
Rental income – investment property	10	2,876	3,748
Rental income – other council properties		2,580	3,176
Ex gratia rates		475	592
Fines – parking		12,565	16,044
Fines – other		108	998
Legal fees recovery – other		582	442
Credit card transaction fee		218	154
Insurance claim recoveries		–	7
Street furniture income		492	653
Health inspection administration fees		–	62
Bus shelter income		1,313	476
Donations Received		1,060	–
Other		1,751	2,244
<u>TOTAL OTHER REVENUE</u>		<u>24,020</u>	<u>28,596</u>

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 are recognised as revenue when the service has been provided, and fines revenue is recorded when the penalty has been applied.

Rental income has been classified as income from investment property another council properties.
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.

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,228	5,895	–	–
Financial assistance – local roads component	242	510	–	–
Payment in advance – future year allocation				
Financial assistance – general component	2,482	2,191	–	–
Financial assistance – local roads component	276	653	–	–
Other				
Pensioners' rates subsidies – general component	963	752	–	–
Total general purpose	6,191	10,001	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	–	317	–	–
Aged care	814	498	–	–
Child care	862	831	–	–
Community care	–	135	–	–
Engineering grants	–	–	–	1,360
Environmental protection	333	324	–	10
Library – per capita	489	413	200	–
LIRS subsidy	159	104	–	165
Meals on wheels subsidy	–	175	–	–
Street lighting	655	449	–	–
Transport (roads to recovery)	–	–	–	902
Transport (other roads and bridges funding)	–	–	665	4,909
Transport (roads to recovery, flood works, 3x3)	–	21	–	896
Better waste and recycling fund	–	295	–	–
New council implementation fund	–	3,000	–	–
Community services	290	1,842	–	–
Amalgamation grant	–	7,000	–	5,000
Miscellaneous community grants	–	25	–	–
Other	–	1,085	378	7
Total specific purpose	3,602	16,514	1,243	13,249
Total grants	9,793	26,515	1,243	13,249
Grant revenue is attributable to:				
– Commonwealth funding	5,228	1,479	–	1,234
– State funding	4,565	18,942	1,243	11,678
– Other funding	–	6,094	–	337
	9,793	26,515	1,243	13,249

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 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		–	–	699	146
S 7.11 – contributions towards amenities/services		–	–	12,369	26,052
S 7.12 – fixed development consent levies		–	–	–	1,395
Total developer contributions – cash		–	–	13,068	27,593
Non-cash contributions					
S 7.4 – contributions using planning agreements		–	–	1,160	–
Total developer contributions – non-cash		–	–	1,160	–
Total developer contributions	22	–	–	14,228	27,593
Other contributions:					
Cash contributions					
Other councils – joint works/services		–	534	–	–
Paving		–	2,757	–	287
Recreation and culture		–	–	–	250
Roads and bridges		–	–	1,223	893
RMS contributions (regional roads, block grant)		1,335	972	–	308
Stronger communities fund		–	–	–	5,000
Other		358	100	144	1,450
Total other contributions – cash		1,693	4,363	1,367	8,188
Total other contributions		1,693	4,363	1,367	8,188
Total contributions		1,693	4,363	15,595	35,781
TOTAL GRANTS AND CONTRIBUTIONS		11,486	30,878	16,838	49,030

Accounting policy for 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 above.

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.

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

		13/5/16 to 30/6/17
\$ '000	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	82,939	59,610
Add: operating grants recognised in the current period but not yet spent	20,290	63,008
Add: operating grants received for the provision of goods and services in a future period	–	8,472
Less: operating grants recognised in a previous reporting period now spent	(31,020)	(48,151)
Unexpended and held as restricted assets (operating grants)	<u>72,209</u>	<u>82,939</u>

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages	82,570	87,082
Employee termination costs	2,236	2,103
Travel expenses	42	12
Employee leave entitlements (ELE)	12,505	17,647
Superannuation	9,505	11,088
Workers' compensation insurance	1,820	2,364
Fringe benefit tax (FBT)	567	745
Training costs (other than salaries and wages)	134	1,194
Other	51	987
Total employee costs	109,430	123,222
Less: capitalised costs	(119)	(3,653)
TOTAL EMPLOYEE COSTS EXPENSED	109,311	119,569
Number of 'full-time equivalent' employees (FTE) at year end	1,038	1,091

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 17 for more information.

(b) Borrowing costs		
	2018	13/5/16 to 30/6/17
(i) Interest bearing liability costs		
Interest on loans	860	1,303
Total interest bearing liability costs expensed	860	1,303
(ii) Other borrowing costs		
Interest applicable on interest free (and favourable) loans to Council	–	2
Total other borrowing costs	–	2
TOTAL BORROWING COSTS EXPENSED	860	1,305

Accounting policy for borrowing costs

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

Inner West Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables	9,787	31,949
Contractor and consultancy costs	–	22,936
– Agency Staff	10,515	–
– Consultants	3,226	–
– Contractors	23,245	–
Auditors remuneration ⁽²⁾	148	389
Infringement notice contract costs (SEINS)	–	992
Legal expenses:		
– Legal expenses: planning and development	841	1,614
– Legal expenses: debt recovery	248	290
– Legal expenses: other	166	193
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	1,120	1,093
Tipping fees	12,945	14,042
Other	–	536
TOTAL MATERIALS AND CONTRACTS	62,241	74,034

Operating leases

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

1. Operating lease payments are attributable to:

Computers	466	315
Motor vehicles	232	36
Other	422	742
	1,120	1,093

2. 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	148	177
Remuneration for audit and other assurance services	148	177
Total Auditor-General remuneration	148	177

Non NSW Auditor-General audit firms:**(i) Audit and other assurance services**

Audit and review of financial statements	–	200
Due diligence services	–	12
Remuneration for audit and other assurance services	–	212
Total remuneration of non NSW Auditor-General audit firms	–	212
Total Auditor remuneration	148	389

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment	2,502	3,029
Office equipment	615	983
Furniture and fittings	194	166
Land improvements (depreciable)	3,688	3,943
Car parks (depreciable)	206	–
Infrastructure:		
– Buildings	5,861	6,298
– Roads	7,748	6,601
– Bridges	181	175
– Footpaths	1,601	1,723
– Other road assets	771	1,289
– Stormwater drainage	1,471	1,589
– Swimming pools	1,648	1,125
– Wharves	81	84
– Sea walls	394	431
– Carparks	–	174
– Kerb and gutter	991	2,243
Other assets:		
– Mobile garbage bins	–	376
– Domestic waste vehicles	344	620
Total depreciation and amortisation costs	28,296	30,849
Impairment / revaluation decrement of IPP&E		
Community Land	–	2,565
Infrastructure:		
– Buildings	8,913	–
– Bulk Earthworks (Non Depreciable)	86	20,284
– Other road assets	–	1,989
Total IPP&E impairment / revaluation decrement costs / (reversals)	8,999	24,838
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>	<u>37,295</u>	<u>55,687</u>

Accounting policy for depreciation, amortisation and impairment expenses

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

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

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

Accounting policy for depreciation, amortisation and impairment expenses (continued)

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.

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.

\$ '000	2018	13/5/16 to 30/6/17
(e) Other expenses		
Advertising	779	1,140
Bad and doubtful debts	999	1,743
Bank charges	464	608
Computer software charges	3,943	910
Contributions/levies to other levels of government		
– Department of planning levy	–	299
– Emergency services levy (includes FRNSW, SES, and RFS levies)	–	2,837
– NSW fire brigade levy	3,320	718
– SEINS processing fees	1,694	1,150
– Waste levy	317	815
Councillor expenses – mayoral fee (incl deputy mayor)	53	–
Councillor expenses – councillors' fees	282	–
Administration and committee fees	212	894
Donations, contributions and assistance to other organisations (Section 356)	2,213	1,366
Electricity and heating	2,392	2,066
Insurance	2,205	3,016
Postage	685	–
Street lighting	1,629	3,056
Subscriptions and publications	611	90
Telephone and communications	1,547	932
Valuation fees	344	332
Water rates	972	868
Gas	749	341
Library books	–	464
Other	2,962	2,315
TOTAL OTHER EXPENSES	28,372	25,960

Accounting policy for other expenses

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

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	13/5/16 to 30/6/17
Property (excl. investment property)	9		
Proceeds from disposal – property		35,038	2,211
Less: carrying amount of property assets sold/written off		(35,364)	(696)
Net gain/(loss) on disposal		(326)	1,515
Plant and equipment	9		
Proceeds from disposal – plant and equipment		2,113	2,123
Less: carrying amount of plant and equipment assets sold/written off		(1,933)	(3,075)
Net gain/(loss) on disposal		180	(952)
Infrastructure	9		
Proceeds from disposal – infrastructure		204	–
Less: carrying amount of infrastructure assets sold/written off		(1,282)	(4,127)
Net gain/(loss) on disposal		(1,078)	(4,127)
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		266,502	216,338
Less: carrying amount of financial assets sold/redeemed/matured		(266,502)	(216,338)
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(1,224)</u>	<u>(3,564)</u>

Accounting policy for disposal of assets

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 derecognised.

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	12,835	18,668
Total cash and cash equivalents	12,835	18,668

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.

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
'Held to maturity'	142,488	61,991	145,588	40,550
Total investments	142,488	61,991	145,588	40,550
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	155,323	61,991	164,256	40,550
Held to maturity investments				
Long term deposits	139,467	4,078	142,588	13,073
NCD's, FRN's (with maturities > 3 months)	3,021	28,339	3,000	24,283
Mortgage backed securities	–	1,156	–	1,201
Fixed bonds (ADIs)	–	28,418	–	1,993
Total	142,488	61,991	145,588	40,550

Accounting policy for investments

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.

Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments (continued)

Accounting policy for investments

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.

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

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	155,323	61,991	164,256	40,550
attributable to:				
External restrictions (refer below)	38,431	61,991	65,372	40,550
Internal restrictions (refer below)	46,535	–	47,913	–
Unrestricted	70,357	–	50,971	–
	155,323	61,991	164,256	40,550

Detailed restrictions are disclosed on the next page

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018	2017
Details of restrictions		
External restrictions – other		
Developer contributions – general	54,109	58,287
Specific purpose unexpended grants	18,100	24,652
Domestic waste management	22,127	16,672
Stormwater management	501	1,819
Watershed	59	59
SRV Income	5,026	3,466
Debbie and Abbey Borgia sinking fund	–	421
Mainstreet levy	240	395
3.5% levy reserve	260	151
External restrictions – other	100,422	105,922
Internal restrictions		
Employees leave entitlement	29,783	32,537
Deposits, retentions and bonds	13,994	12,532
FAG reserve	2,758	2,844
Total internal restrictions	46,535	47,913
TOTAL RESTRICTIONS	146,957	153,835

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	5,374	433	4,882	388
Interest and extra charges	853	197	684	154
User charges and fees	3,901	–	3,085	–
Private works	–	–	2	–
Accrued revenues				
– Interest on investments	16	–	1,062	–
– Other income accruals	1,202	–	435	–
Fines	6,336	–	5,421	–
Government grants and subsidies	–	–	903	–
Net GST receivable	2,642	–	2,104	–
Other debtors	198	24,672	1,211	–
Total	20,522	25,302	19,789	542
Less: provision for impairment				
Rates and annual charges	(414)	–	(241)	(172)
Interest and extra charges	(197)	–	(77)	(154)
User charges and fees	(1,176)	–	(433)	–
Fines	(2,267)	–	(2,011)	–
Total provision for impairment – receivables	(4,054)	–	(2,762)	(326)
TOTAL NET RECEIVABLES	16,468	25,302	17,027	216
Externally restricted receivables				
Domestic waste management	1,171	–	904	–
Stormwater management	78	–	68	–
Other				
– Urban centres levy	4	–	5	–
Total external restrictions	1,253	–	977	–
Unrestricted receivables	15,215	25,302	16,050	216
TOTAL NET RECEIVABLES	16,468	25,302	17,027	216
Movement in provision for impairment of receivables				
			2018	13/5/16 to 30/6/17
Balance at the beginning of the year			3,088	3,961
+ new provisions recognised during the year			966	1,357
– amounts already provided for and written off this year			–	(2,230)
Balance at the end of the year			4,054	3,088

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. 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.

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Stores and materials	161	–	180	–
Trading stock	17	–	27	–
Total inventories at cost	178	–	207	–
<u>TOTAL INVENTORIES</u>	<u>178</u>	<u>–</u>	<u>207</u>	<u>–</u>
(b) Other assets				
Prepayments	3,827	–	2,340	–
<u>TOTAL OTHER ASSETS</u>	<u>3,827</u>	<u>–</u>	<u>2,340</u>	<u>–</u>

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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory held for distribution

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

Inner West Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	41,048	–	41,048	14,246	3,005	–	–	–	(30,708)	–	–	–	27,591	–	27,591
Plant and equipment	32,181	19,910	12,271	–	3,978	(1,619)	(2,502)	–	–	–	–	–	29,341	17,213	12,128
Office equipment	11,791	9,246	2,545	–	143	(192)	(615)	–	418	–	–	–	5,209	2,910	2,299
Furniture and fittings	7,246	6,233	1,013	–	–	(123)	(194)	–	–	–	–	–	1,961	1,265	696
Land:															
– Operational land	355,090	–	355,090	–	–	(35,000)	–	–	–	(3,175)	–	95,900	412,815	–	412,815
– Community land	274,870	–	274,870	–	1,060	–	–	–	–	2,641	–	4,110	282,681	–	282,681
Land improvements – non-depreciable	4,259	–	4,259	–	–	–	–	–	–	–	–	–	4,259	–	4,259
Land improvements – depreciable	96,613	23,905	72,708	9	4,145	(59)	(3,688)	–	8,072	–	–	–	108,760	27,573	81,187
Car parks – non-depreciable	2,423	–	2,423	–	–	–	–	–	–	–	–	1,124	3,547	–	3,547
Car parks – depreciable	8,338	2,077	6,261	–	549	–	(206)	–	–	–	–	1,388	10,869	2,877	7,992
Infrastructure:															
– Buildings	311,627	92,903	218,724	57	11,311	(364)	(5,861)	(8,913)	16,285	534	–	–	316,118	84,345	231,773
– Roads	311,912	148,167	163,745	2,673	–	–	(7,748)	–	2,470	–	–	–	317,055	155,915	161,140
– Bridges	14,830	4,460	10,370	–	–	–	(181)	–	25	–	–	541	15,422	4,667	10,755
– Footpaths	103,646	33,253	70,393	874	2,001	(9)	(1,601)	–	1,247	–	–	–	107,756	34,851	72,905
– Kerb and gutter	186,165	74,518	111,647	23	510	(5)	(991)	–	267	–	–	–	186,959	75,508	111,451
– Other road assets	18,037	5,430	12,607	5	1,763	–	(771)	–	1,646	–	–	–	21,451	6,201	15,250
– Bulk earthworks (non-depreciable)	512,345	–	512,345	–	–	–	–	(86)	–	–	–	–	512,259	–	512,259
– Sea walls	37,403	9,783	27,620	–	53	–	(394)	–	10	–	(39)	–	37,424	10,174	27,250
– Wharves	6,162	2,091	4,071	–	–	–	(81)	–	–	–	–	140	6,308	2,178	4,130
– Stormwater drainage	171,887	52,448	119,439	183	2,114	–	(1,471)	–	268	–	–	–	174,452	53,919	120,533
– Swimming pools	58,271	6,997	51,274	–	–	–	(1,648)	–	–	–	–	4,778	66,128	11,724	54,404
Domestic waste assets:															
– Mobile garbage bins	3,390	2,182	1,208	–	–	(1,208)	–	–	–	–	–	–	–	–	–
– Domestic waste vehicles	3,907	1,043	2,864	–	604	–	(344)	–	–	–	–	–	4,511	1,387	3,124
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,573,441	494,646	2,078,795	18,070	31,236	(38,579)	(28,296)	(8,999)	–	–	(39)	107,981	2,652,876	492,707	2,160,169

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

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

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

Plant and equipment	Years	Open Space and Recreation	Years
Office equipment	2 to 10	Playground equipment	10 to 100
Office furniture	2 to 10	Benches, seats etc.	10 to 100
Computer equipment	2 to 10	Park Improvements	10 to 100
Vehicles	2 to 10	Walls	10 to 100
Heavy plant/road making equipment	2 to 10	Buildings	
Parking Meters	10	Buildings: Structures	50 to 150
		Buildings: Components	10 to 60
Other infrastructure assets		Stormwater Assets	
Bulk Earthworks	Infinite	Stormwater Drainage Assets	50 to 150
Seawalls	50		
Wharves	10 to 80		
Land Improvements	10 to 100		
Fences, Stairs, Retaining Walls etc	10 to 100		
Swimming Pools	10 to 150		
Transportation assets			
Roads Formation	Infinite		
Pavement	150		
Surface	25 to 30		
Bridges	20 to 150		
Traffic Facilities	10 to 80		
Carparks	25 to 150		
Footpaths	40 - 80		
Kerb & Gutter	100		

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.

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). 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.

Crown reserves

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

Rural Fire Service assets

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

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

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management						
Domestic waste vehicles	4,511	1,387	3,124	5,391	1,678	3,713
Mobile garbage bins	–	–	–	3,391	2,183	1,208
Total DWM	4,511	1,387	3,124	8,782	3,861	4,921
TOTAL RESTRICTED IPP&E	4,511	1,387	3,124	8,782	3,861	4,921

Note 10. Investment property

\$ '000	2018	2017
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(a) Investment property at fair value

<u>Investment property on hand</u>	<u>28,040</u>	<u>28,040</u>
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(b) Valuation basis

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

The 2018 revaluations were based on independent assessments made by Scott Fullerton Valuers.

Inner West Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	8,655	–	8,194	–
Goods and services – capital expenditure	4,787	–	793	–
Accrued expenses:				
– Borrowings	25	–	30	–
– Salaries and wages	357	–	427	–
– Other expenditure accruals	1,292	–	2,836	–
Security bonds, deposits and retentions	14,289	–	12,532	–
Unearned income	–	–	495	–
Other	803	–	272	–
Total payables	30,208	–	25,579	–
Income received in advance				
Payments received in advance	1,764	–	1,296	–
Total income received in advance	1,764	–	1,296	–
Borrowings				
Loans – secured ¹	4,232	9,104	4,688	13,356
Total borrowings	4,232	9,104	4,688	13,356
TOTAL PAYABLES AND BORROWINGS	36,204	9,104	31,563	13,356

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	514	–	448	–
Payables and borrowings relating to externally restricted assets	514	–	448	–
Total payables and borrowings relating to restricted assets	514	–	448	–
Total payables and borrowings relating to unrestricted assets	35,690	9,104	31,115	13,356
TOTAL PAYABLES AND BORROWINGS	36,204	9,104	31,563	13,356

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 18.

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

\$ '000	2018	2017
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(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	10,002	8,338
	10,002	8,338

(c) Changes in liabilities arising from financing activities

Class of borrowings	Opening balance as at 1/7/17	Cash flows	Non-cash changes			Closing balance as at 30/6/18
			Acquisition	Fair value changes	Other non-cash movements	
Loans – secured	18,044	(4,708)	–	–	–	13,336
TOTAL	18,044	(4,708)	–	–	–	13,336

\$ '000	2018	2017
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ⁽¹⁾	2,000	2,000
Credit cards/purchase cards	549	282
Total financing arrangements	2,549	2,282

Undrawn facilities as at balance date:

– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	549	282
Total undrawn financing arrangements	2,549	2,282

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

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance leases

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

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

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	8,841	–	9,616	–
Sick leave	–	–	586	–
Long service leave	16,568	1,841	19,802	1,601
Other leave	593	–	253	–
ELE on-costs	1,746	193	543	136
Sub-total – aggregate employee benefits	27,748	2,034	30,800	1,737
Other provisions:				
Excess insurance	150	107	150	107
Sub-total – other provisions	150	107	150	107
<u>TOTAL PROVISIONS</u>	<u>27,898</u>	<u>2,141</u>	<u>30,950</u>	<u>1,844</u>

(a) Provisions relating to restricted assets

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

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	16,969	18,000
	16,969	18,000

Nature and purpose of non-employee benefit provisions

Self-insurance

To recognise liabilities for outstanding claims (uninsured losses) arising from Council's decision to undertake self-insurance for certain risks faced.

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. 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.

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

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity.

A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Revaluation reserves and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Nature of prior-period errors

As part of the harmonisation process of Council's policies, protocols and procedures, Council restated the prior year financial statements where appropriate to reflect the changes made.

In line with the accounting standards, where a revaluation decrement is identified, the decrement can only impact the revaluation reserve for that asset class to the extent that a revaluation reserve exists at financial statement date. Council had disclosed a decrement in revaluation for Other Road Assets and Bulk Earthworks which had revaluation decrements of \$2m and \$20m respectively and had a nil balance in their revaluation reserve. To correct this, Council expensed the revaluation decrements to profit and loss with a corresponding adjustments to the revaluation reserve. This increased the Revaluation Reserve and decreased Retained Earnings for the financial year ended 30 June 2017 by \$22m and is disclosed in the statement of Changes in Equity.

Other Infrastructure was determined to be comprised of assets that should be classified as Furniture and Fittings and Office Equipment. The individual assets were reallocated accordingly, with no impact on any other aspect of the financial statements.

Other Structures and Other open space/recreational assets were determined to be Land improvements depreciable and have been consolidated with that asset class. The assets were consolidated accordingly, with no impact on any other aspect of the financial statements.

The road component Kerb and Gutter was split out from the Roads asset class to better represent the nature of that asset class. Accordingly, all related asset transactions and balances were split throughout the financial statements.

Operational land amounting to \$63m was determined to meet the definition of Investment Property and was transferred from Infrastructure, Plant, Property and Equipment retrospectively at amalgamation date 13 May 2016. The properties were revalued to their fair value of \$28m at amalgamation date with the decrement of \$35m in value impacting the amalgamation gain.

Council identified Crown Land valued at \$19m that had not been previously recorded in its asset register. The gain was recognised retrospectively with a corresponding increase in amalgamation gain on 13 May 2016.

Council identified land to the value of \$24m that had previously been recognised and valued as Community Land in former Councils that should have been classified as Operational Land. Council also identified land parcels that had been incorrectly included as both Community Land and Operational Land, where the correct classification should be Operational Land. The duplicate Community Land amounting to \$14m were written off against the amalgamation gain.

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Revaluation reserves and errors (continued)

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

During the current financial year, the asset register harmonisation and data quality improvements resulted in significant improvements in available data quality and detail of asset information available. Infrastructure assets were revalued using the unit cost approach which as a result of data quality improvements resulted in revaluation adjustments amounting to \$27m. Council has corrected these valuation differences to the prior year, thereby more accurately representing the infrastructure asset network value at amalgamation.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (13 May 2016) and adjusting the amalgamation gain. Comparatives have been amended to reflect the correction of errors. The impact on each line item is shown in the tables below.

Changes to the gain on local government amalgamation at 13 May 2016

	2017
Gain on local government amalgamation (as previously disclosed)	2,200,149
Prior year error revaluation decrements	(27,273)
Crown land not previously recognised	19,153
Investment property revaluation loss	(34,909)
Community land derecognised (duplicated in Operational Land)	(13,950)
Restated gain on local government amalgamation	2,143,170

Changes to Infrastructure, Plant, Property and Equipment at 30 June 2017

	2017
Total Assets (as previously disclosed)	2,163,814
Prior year error revaluation decrements	(27,273)
Crown land not previously recognised	19,153
Community land derecognised (duplicated in Operational Land)	(13,950)
Investment property revaluation decrement	(34,909)
Investment property recognised at amalgamation	(28,040)
Restated Total Assets	2,078,795

Changes to Investment Properties at 30 June 2017

	2017
Investment properties (as previously disclosed)	–
Investment property recognised at amalgamation	28,040
Restated Total Assets	28,040

Changes to the Income Statement and Statement of Changes in Equity at 30 June 2017

	Revaluation Decrement / IPPE Impairment 2017	Retained Earnings 2017	Revaluation Reserve 2017
Balance at end of the reporting period as previously reported	(2,565)	2,257,804	55,918
Changes to gain on local government amalgamation	–	(56,979)	–
Revaluation decrements recognised in P&L	(22,273)	(22,273)	22,273
Restated Equity – balance at end of the reporting period	(24,838)	2,178,552	78,191

Changes to the Statement of Financial Position at 30 June 2017

	Original Balance 30 June 2017	Impact Increase/ (decrease)	Restated Balance 30 June 2017
Infrastructure, property, plant and equipment	2,163,814	(85,019)	2,078,795
Investment Property	–	28,040	28,040
Asset classes not impacted by prior year errors	227,621	–	227,621
Total Assets	2,391,435	(56,979)	2,334,456
Total Liabilities	77,713	–	77,713
Retained Earnings	2,257,804	(79,252)	2,178,552
Revaluation Reserves	55,918	22,273	78,191
Total equity	2,313,722	(56,979)	2,256,743

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	12,835	18,668
Balance as per the Statement of Cash Flows		12,835	18,668
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		14,759	35,382
Adjust for non-cash items:			
Depreciation and amortisation		28,296	30,849
Net losses/(gains) on disposal of assets		1,224	3,564
Non-cash capital grants and contributions		(1,160)	(9,600)
Impairment losses recognition – I,PP&E		–	2,565
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		8,999	22,273
Amortisation of premiums, discounts and prior period fair valuations			
– ‘Held to maturity’ financial assets		–	(5)
– Interest exp. on interest-free loans received by Council (previously fair valued)		–	2
Share of net (profits) or losses of associates/joint ventures		(468)	(436)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(25,493)	21,045
Increase/(decrease) in provision for doubtful debts		966	(873)
Decrease/(increase) in inventories		29	76
Decrease/(increase) in other assets		(1,487)	(216)
Increase/(decrease) in payables		461	(2,263)
Increase/(decrease) in accrued interest payable		(5)	(327)
Increase/(decrease) in other accrued expenses payable		(1,614)	(83)
Increase/(decrease) in other liabilities		2,261	(1,771)
Increase/(decrease) in employee leave entitlements		(2,755)	988
Increase/(decrease) in other provisions		–	(266)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		24,013	100,904
(c) Non-cash investing and financing activities			
Developer contributions ‘in kind’		1,160	9,600
Total non-cash investing and financing activities		1,160	9,600

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 15. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2018	13/5/16 to 30/6/17	2018	2017
Associates	468	436	3,493	3,025
Total	468	436	3,493	3,025

(a) Associates

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
CivicRisk Mutual	Associate	Equity method	272	273
CivicRisk Metro	Associate	Equity method	3,221	2,752
Total carrying amounts – material associates			3,493	3,025

(b) Details

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

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017	2018	2017
CivicRisk Mutual	272	273	3%	4%	3%	4%	6%	6%
CivicRisk Metro	3,221	2,752	24%	24%	24%	24%	16%	14%

(d) Summarised financial information for associates

	CivicRisk Mutual		CivicRisk Metro	
Statement of financial position	2018	2017	2018	2017
Current assets				
Other current assets	6,917	6,745	8,129	5,766
Non-current assets	5,989	5,889	16,220	18,168
Current liabilities				
Other current liabilities	2,989	3,314	1,815	1,593
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	1,448	2,830	8,985	10,730
Net assets	8,469	6,490	13,549	11,611
Reconciliation of the carrying amount				
Opening net assets (1 July)	12,980	7,286	11,611	9,422
Profit/(loss) for the period	1,979	(796)	1,938	2,189
Closing net assets	14,959	6,490	13,549	11,611
Council's share of net assets (%)	3.2%	4.2%	23.8%	23.7%
Council's share of net assets (\$)	272	273	3,221	2,752

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Interests in other entities (continued)

Accounting policy for associates

Interests in associates are accounted for using the equity method in accordance with AASB128

Investments in *Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

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

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

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

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	2,697	7,340
Plant and equipment	752	169
Infrastructure	4,143	7,984
Other	1,465	1,587
Total commitments	9,057	17,080
These expenditures are payable as follows:		
Within the next year	9,057	17,080
Total payable	9,057	17,080
Sources for funding of capital commitments:		
Unrestricted general funds	9,057	17,080
Total sources of funding	9,057	17,080
(b) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	416	876
Later than one year and not later than 5 years	247	467
Total non-cancellable operating lease commitments	663	1,343

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

Includes Motor vehicles, photocopiers, computers, gym equipment.

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

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119. Council has 95 staff members who are members of the Division B Defined Benefit Scheme. During the financial year ended 30 June 2018, Council contributed \$945,000 to the deficit of this Scheme which can be broadly attributed as its net share of the Scheme's net deficit.

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

(iii) Contingent Liabilities

Council agreed to guarantee a loan for \$0.5 million between the NSW Minister for Sport and Recreation and Balmain Tigers Rugby League Football Club for the redevelopment of Leichhardt Oval. The associated funding agreement places various obligations on both Council and Balmain Tigers Rugby League Football Club. In the event that Balmain Tigers Rugby League Football Club is unable to meet its obligations under the agreement, there may be consequential financial obligations for Council.

ASSETS NOT RECOGNISED:

(i) Land under roads

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

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):

(ii) Infringement notices/fines

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

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

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

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

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. 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.

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	12,835	18,668	12,835	18,668
Investments				
– 'Held to maturity'	204,479	186,138	204,479	185,754
Receivables	41,770	17,243	40,023	18,271
Total financial assets	259,084	222,049	257,337	222,693
Financial liabilities				
Payables	30,208	25,579	30,207	25,585
Loans/advances	13,336	18,044	13,336	18,931
Total financial liabilities	43,544	43,623	43,543	44,516

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.

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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 investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 10% movement in market values	25,734	25,734	(25,734)	(25,734)
Possible impact of a 1% movement in interest rates	2,573	2,573	(2,573)	(2,573)
13/5/16to 30/6/17				
Possible impact of a 10% movement in market values	13,596	13,596	(13,596)	(13,596)
Possible impact of a 1% movement in interest rates	1,214	1,214	(1,214)	(1,214)

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	100%	100%	100%	100%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges			2018	2017
Current			–	2,520
< 1 year overdue			5,807	1,491
1 – 2 years overdue			–	269
2 – 5 years overdue			–	146
> 5 years overdue			–	844
			5,807	5,270
Other receivables				
Current			11,802	5,272
0 – 30 days overdue			2,422	2,779
31 – 60 days overdue			408	1,653
61 – 90 days overdue			21	1,665
> 91 days overdue			25,364	3,692
			40,017	15,061

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. 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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
2018							
Trade/other payables		14,289	15,919	–	–	30,208	30,208
Loans and advances	5.16%	–	4,864	6,781	2,805	14,450	13,336
Total financial liabilities		14,289	20,783	6,781	2,805	44,658	43,544
2017							
Trade/other payables		12,532	8,448	4,599	–	25,579	25,579
Loans and advances	5.34%	–	5,358	12,400	1,924	19,682	18,044
Total financial liabilities		12,532	13,806	16,999	1,924	45,261	43,623

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 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 Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	153,381	153,473	92	0%	F
User charges and fees	43,510	41,720	(1,790)	(4%)	U
Interest and investment revenue	5,042	6,057	1,015	20%	F
Council has diversified its investment strategy to include more ethical investment products in the portfolio which has contributed to better returns from the investments.					
Other revenues	24,100	24,020	(80)	(0%)	U
Operating grants and contributions	12,855	11,486	(1,369)	(11%)	U
This was mainly due to the Lilyfield Cycleway grant application being unsuccessful from RMS.					
Capital grants and contributions	10,699	16,838	6,139	57%	F
The favourable variance is due to an increase in section 94 contribution, due to a higher volume of applications.					

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	126,368	109,311	17,057	13%	F
Open positions for CFS mainly due to Leichhardt Park, Roads Footpaths, stormwater & resource recovery. Also unspent training and development expenditure.					
Borrowing costs	906	860	46	5%	F
Materials and contracts	61,675	62,241	(566)	(1%)	U
Depreciation and amortisation	26,600	28,296	(1,696)	(6%)	U
Other expenses	27,777	28,372	(595)	(2%)	U

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

Cash flows from operating activities	32,862	24,013	(8,849)	(26.9%)	U
The unfavourable variance is due to significant grants received from state government for amalgamation and stronger communities.					
Cash flows from investing activities	(65,426)	(25,138)	40,288	(61.6%)	F
The favourable variance is due to sale of land relating to the former Marrickville Hospital Site not budgeted in Council's 17/18 original budget.					
Cash flows from financing activities	(4,704)	(4,708)	(4)	0.1%	U

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 20. 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

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:

2018		Fair value measurement hierarchy			Total
		Level 1	Level 2	Level 3	
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Investment property					
Investment Property	30/06/18	—	28,040	—	28,040
Total investment property		—	28,040	—	28,040
Infrastructure, property, plant and equipment					
Operational land	30/06/18	—	412,815	—	412,815
Community land	30/06/18	—	—	282,681	282,681
Land improvements – non-depreciable	30/06/18	—	—	4,259	4,259
Land improvements – depreciable	30/06/18	—	—	81,188	81,188
Car parks – non-depreciable	30/06/18	—	—	3,547	3,547
Car parks – depreciable	30/06/18	—	—	7,992	7,992
Buildings	30/06/18	—	—	231,772	231,772
Roads	30/06/18	—	—	161,140	161,140
Bridges	30/06/18	—	—	10,757	10,757
Footpaths	30/06/18	—	—	72,906	72,906
Kerb and Gutter	30/06/18	—	—	111,451	111,451
Other road assets	30/06/18	—	—	15,250	15,250
Bulk earthworks (non-depreciable)	30/06/18	—	—	512,259	512,259
Sea walls	30/06/18	—	—	27,250	27,250
Wharves	30/06/18	—	—	4,130	4,130
Stormwater drainage	30/06/18	—	—	120,531	120,531
Swimming pools	30/06/18	—	—	54,404	54,404
Total infrastructure, property, plant and equipment		—	412,815	1,701,517	2,114,332

Inner West Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Investment property					
Investment Property	13/05/16	–	28,040	–	28,040
Total investment property		–	28,040	–	28,040
Infrastructure, property, plant and equipment					
Operational land	13/05/16	–	355,090	–	355,090
Community land	30/06/17	–	–	274,870	274,870
Land improvements – non-depreciable	30/06/17	–	–	1,873	1,873
Land improvements – depreciable	30/06/17	–	–	89,741	89,741
Car parks – non-depreciable	30/06/17	–	–	2,423	2,423
Car parks – depreciable	30/06/17	–	–	6,261	6,261
Buildings	13/05/16	–	–	218,723	218,723
Roads	30/06/17	–	–	191,121	191,121
Bridges	30/06/17	–	–	10,372	10,372
Footpaths	30/06/17	–	–	75,261	75,261
Kerb and Gutter	30/06/17	–	–	119,761	119,761
Other road assets	30/06/17	–	–	33,837	33,837
Bulk earthworks (non-depreciable)	30/06/17	–	–	512,345	512,345
Sea walls	30/06/17	–	–	27,620	27,620
Wharves	30/06/17	–	–	4,071	4,071
Stormwater drainage	30/06/17	–	–	125,303	125,303
Swimming pools	30/06/13	–	–	51,274	51,274
Total infrastructure, property, plant and equipment		–	355,090	1,744,856	2,099,946

(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.

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. 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 (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

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

Investment property

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

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

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

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

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

Buildings - Non-Specialised and Specialised

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

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

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

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

Community Land

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

Operational Land

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

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

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

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

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

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

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

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 20. 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.

	Level 2 Operational Land	Level 3 Remaining assets	Total
Balance on transfer from former Councils	394,765	1,641,133	2,035,898
Transfers from/(to) another asset class	–	5,648	5,648
Purchases (GBV)	–	38,543	38,543
Disposals (WDV)	(696)	(4,127)	(4,823)
Depreciation and impairment	–	(25,676)	(25,676)
FV gains – other comprehensive income	–	78,191	78,191
FV gains – Income Statement	–	(24,838)	(24,838)
Closing balance – 30/6/17	394,069	1,708,874	2,102,943
Transfers from/(to) another asset class	(3,175)	3,175	–
Purchases (GBV)	–	57,619	57,619
Disposals (WDV)	(35,000)	(437)	(35,437)
Depreciation and impairment	–	(24,639)	(24,639)
FV gains – other comprehensive income	95,900	14,469	110,369
FV gains – Income Statement	–	(93,524)	(93,524)
Closing balance – 30/6/18	451,794	1,665,537	2,117,331

(5). Highest and best use

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

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. 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, comprising:

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

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

Compensation:	2018
Short-term benefits	1,444
Post-employment benefits	79
Other long-term benefits	158
Termination benefits	259
Total	1,940

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. 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					
Roads	919	19	–	–	(229)	–	709	–
Traffic facilities	1,629	113	–	–	(693)	–	1,049	–
Parking	203	–	–	–	(126)	–	77	–
Open space	21,514	5,672	–	300	(3,662)	(5,000)	18,824	(4,700)
Community facilities	5,787	650	–	–	(4,204)	–	2,233	–
Open space and recreation	12,035	2,755	–	450	(3,264)	–	11,976	–
Community services and facilities	2,223	427	–	–	(595)	–	2,055	–
Transport and access	7,152	63	–	–	(109)	–	7,106	–
Administration	258	120	–	–	(285)	–	93	–
Plan preparation	813	42	–	–	–	–	855	–
S7.11 contributions – under a plan	52,533	9,861	–	750	(13,167)	(5,000)	44,977	(4,700)
S7.12 levies – under a plan	3,284	998	–	–	(4,786)	5,000	4,496	4,700
Total S7.11 and S7.12 revenue under plans	55,817	10,859	–	750	(17,953)	–	49,473	–
S7.4 planning agreements	2,470	2,209	1,160	–	(43)	–	4,636	–
Total contributions	58,287	13,068	1,160	750	(17,996)	–	54,109	–

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 - Open Space and Recreation (former Leichhardt)

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					
Effective 18 January 2005	12,035	2,755	–	450	(3,264)	–	11,976	–
Total	12,035	2,755	–	450	(3,264)	–	11,976	–

CONTRIBUTION PLAN NUMBER 2 - Community Services and Facilities (former Leichhardt)

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					
Effective 24 September 1996	197	–	–	–	(197)	–	–	–
Effective 23 August 2005	2,026	427	–	–	(398)	–	2,055	–
Total	2,223	427	–	–	(595)	–	2,055	–

CONTRIBUTION PLAN NUMBER 3 - Transport and Access (former Leichhardt)

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					
Effective 3 November 1999	7,152	63	–	–	(109)	–	7,106	–
Total	7,152	63	–	–	(109)	–	7,106	–

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

2004 S94 Developer Contributions Plan (former Marrickville)

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					
Roads	553	–	–	–	(107)	–	446	–
Traffic facilities	450	–	–	–	(628)	–	(178)	–
Parking	126	–	–	–	(126)	–	–	–
Open space	3,596	–	–	–	(1,094)	–	2,502	–
Community facilities	2,953	–	–	–	(2,953)	–	–	–
Administration	63	–	–	–	(63)	–	–	–
Total	7,741	–	–	–	(4,971)	–	2,770	–

2014 S94 Developer Contributions Plan (former Marrickville)

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					
Traffic facilities	195	60	–	–	(65)	–	190	–
Open space	4,563	5,378	–	300	(2,564)	–	7,677	–
Community facilities	1,309	606	–	–	(1,103)	–	812	–
Administration	195	120	–	–	(222)	–	93	–
Total	6,262	6,164	–	300	(3,954)	–	8,772	–

Inner West Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER (former Ashfield)

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					
Roads	366	19	–	–	(122)	–	263	–
Traffic facilities	984	53	–	–	–	–	1,037	–
Parking	77	–	–	–	–	–	77	–
Open space	13,355	294	–	–	(4)	(5,000)	8,645	(4,700)
Community facilities	1,525	44	–	–	(148)	–	1,421	–
Plan preparation	813	42	–	–	–	–	855	–
Total	17,120	452	–	–	(274)	(5,000)	12,298	(4,700)

S7.12 LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER (former Marrickville)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
s94A Levies	1,926	699	–	–	(367)	–	2,258	–
Total	1,926	699	–	–	(367)	–	2,258	–

CONTRIBUTION PLAN NUMBER (former Ashfield)

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					
Other	1,358	299	–	–	(4,419)	5,000	2,238	4,700
Total	1,358	299	–	–	(4,419)	5,000	2,238	4,700

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	7,676	3.24%	4.42%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	236,756			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	225,270	88.83%	74.64%	> 60.00%
Total continuing operating revenue ⁽¹⁾	253,594			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	136,112	3.72x	3.29x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	36,617			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	36,832	6.61x	5.21x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,568			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	6,246	3.92%	3.05%	< 5% metro
Rates, annual and extra charges collectible	159,374			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	156,380	8.05 mths	8.6 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	19,437			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 11 and 12.

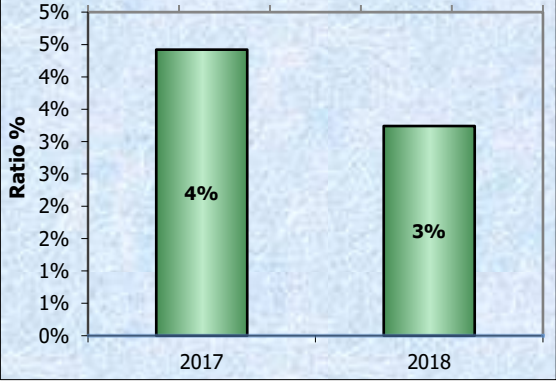
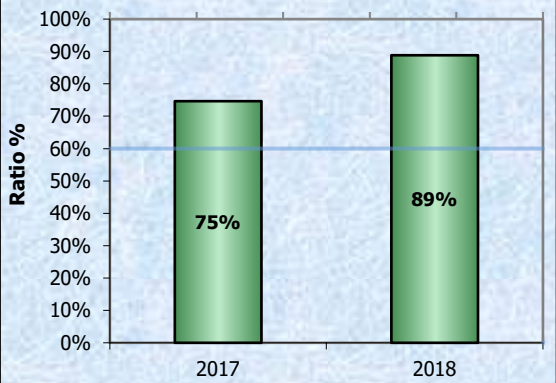
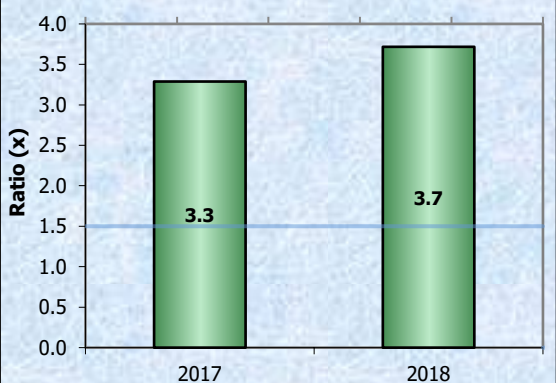
⁽⁴⁾ Refer to Note 11(b) and 12(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

END OF AUDITED FINANCIAL STATEMENTS

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

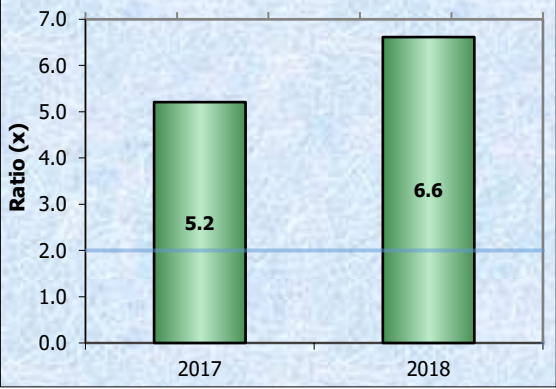
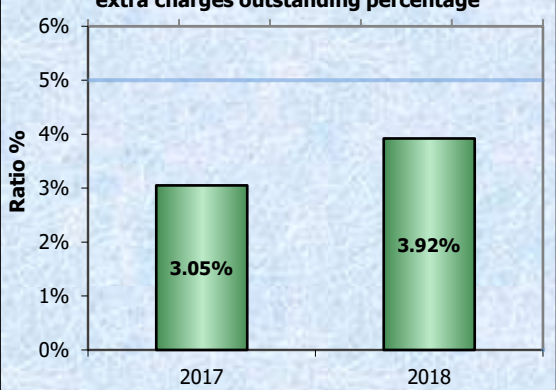
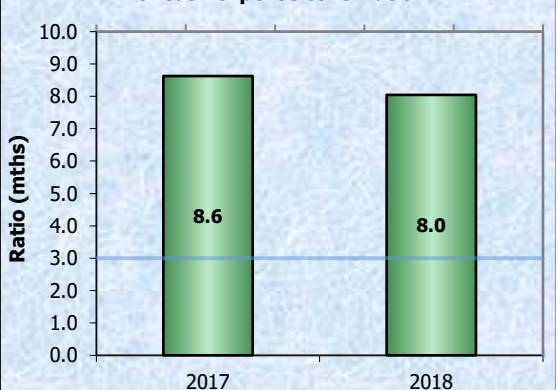
Note 23(b). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p>  <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 3.24%</p> <p>The Operating Performance Ratio is well above the 0.00% set out by the NSW OLG. Previous year the ratio was impacted by the extended reporting period due to amalgamation.</p>
<p>2. Own source operating revenue ratio</p>  <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 88.83%</p> <p>Council continues to retain its Own Source Operating Revenue ratio well above the benchmark of 60%.</p>
<p>3. Unrestricted current ratio</p>  <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 3.72x</p> <p>Council has the capacity to meet its obligations after all internal and external restrictions are excluded. Council's Unrestricted Current ratio continues to track above the benchmark of 1.5 and has improved against prior year levels.</p>

Inner West Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 23(b). Statement of performance measures – consolidated results (graphs)

<p>4. Debt service cover ratio</p>  <p>Ratio (x)</p> <p>2017 2018</p> <p>Benchmark: — Minimum ≥ 2.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 6.61x</p> <p>Council's debt service ratio is well above the benchmark indicator of 2 and demonstrates in improved ability to service its loans.</p>
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p>  <p>Ratio %</p> <p>2017 2018</p> <p>Benchmark: — Maximum $< 5.00\%$</p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 3.92%</p> <p>Council actively pursues the recovery of Rates and Extra Charges as shown by the lower than Local Government Benchmark.</p>
<p>6. Cash expense cover ratio</p>  <p>Ratio (mths)</p> <p>2017 2018</p> <p>Benchmark: — Minimum ≥ 3.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 8.05 mths</p> <p>Council's Unrestricted Current ratio is above the benchmark of 3, the increase due to a reduced completion in a number of capital works.</p>



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Inner West Council

To the Councillors of the Inner West Council

Opinion

I have audited the accompanying financial report of Inner West Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, 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 report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, 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 report 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 Report' 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

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report

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

In preparing the financial report, the Councillors 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 Report

My objectives are to:

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

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 report.

A description of my responsibilities for the audit of the financial report 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 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Caroline Karakatsanis
Director, Financial Audit Services

31 October 2018
SYDNEY

Clr Darcy Byrne
Mayor
Inner West Council
2–14 Fisher St
PETERSHAM NSW 2049

Contact: Caroline Karakatsanis
Phone no: 02 9275 7143
Our ref: D1804557/1739

31 October 2018

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2018 Inner West Council






I have audited the general purpose financial statements of Inner West Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general-purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	153.5	152.9	0.04 
Grants and contributions revenue	28.3	80.0	64.6 
Operating result for the year	14.8	35.4	58.2 
Net operating result before capital amounts	(2.1)	(13.6)	84.5 
Net Operating result before capital amounts and asset impairment	6.9	11.2	38.4 

Council's operating result (\$14.8 million including the effect of depreciation and amortisation expense of \$28.3 million and an impairment of assets of \$9.0 million) was lower than 2016-17 result due to the non-recurring amalgamation grants received in the 2016-17 financial year amounting to \$15.0 million (New Council implementation grant of \$3 million, Amalgamation grant of \$7.0 million and the Stronger communities fund of \$5 million) which were not received in the current year and the longer financial period for the previous year (*13.5 months compared to 12 months*). There was also a reduction in state funding and developer contributions in 2017-18.

The net operating result before capital grants and contributions (-\$2.1 million) was \$11.5 million higher than the 2016-17 result. This was mainly due to the smaller revaluation decrement on asset valuations than in the prior year partially offset by the lower operational grants in the current year.

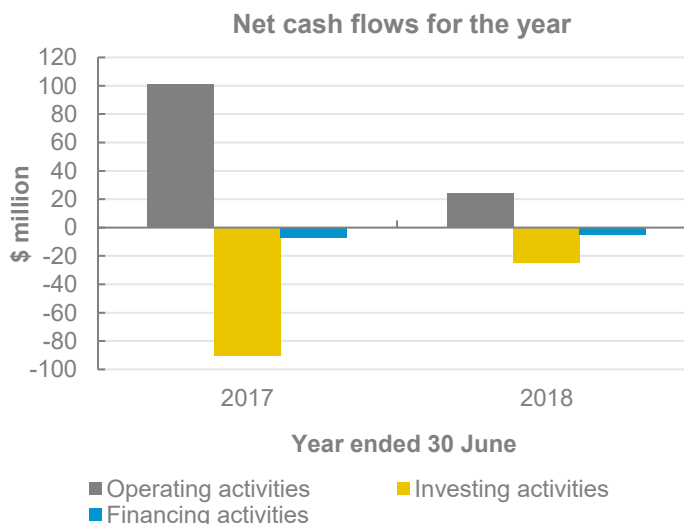
Rates and annual charges revenue (\$153.5 million) increased by \$0.6 million (0.04 per cent) in 2017–2018. This was mainly due to the increase in rates partially offset by a reduction in domestic waste charges as a result of the prior year being 13.5 months compared to 12 months for the current year.

Grants and contributions revenue (\$28.3 million) decreased by \$51.7 million (64.6 per cent) in 2017–2018 due to:

- \$15.0 million decrease in amalgamation related grants received in 2016-17 as once off payments.
- \$6.7 million reduction in State and Commonwealth funding for 2017-18. This was mainly due to the advance receipt of 2017-18 Financial Assistance Grant in 2016-17, which resulted in a full year plus an extra quarter payment in the prior year.
- \$14.5 million reduction in section 7 contributions in 2017-18.
- A shorter financial period in 2017-18 compared to the 13.5 months in the 2016-17 year.

STATEMENT OF CASH FLOWS

- Reduction in cash receipts from operating activities due to lower grants and contributions and a reduction in rates income received due to the Q4 receipts for the 2015-16 year being received in the 2016-17 year.
- Significant capital expenditure – mainly buildings and investments in securities.
- Financing outflows relate to the repayment of borrowings.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	100.4	105.9	<ul style="list-style-type: none"> Externally restricted cash mainly relating to developer contributions, specific purpose unexpended grants and domestic waste funds. Decrease due to expenditure of section 7 and specific purpose funds and utilisation of domestic waste funds.
Internal restrictions	46.5	47.9	
Unrestricted	70.4	51.0	
Cash and investments	217.3	204.8	<ul style="list-style-type: none"> Internally restricted cash reduction due to the spending on employee leave entitlements. Internal restrictions mainly for employee leave entitlements and deposits, retentions and bonds.

Debt

Total debt during 2017-18 decreased to \$13.3 million (2016-17: \$18.0 million). This is in line with the existing loan amortisation schedules.

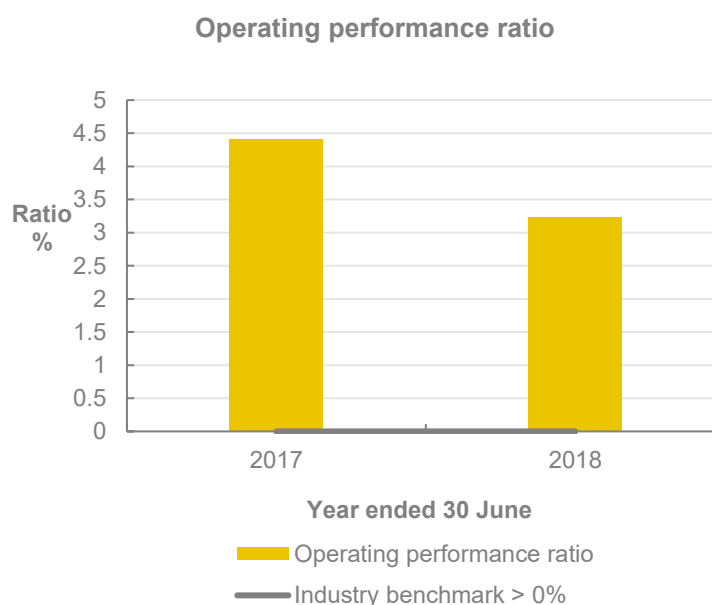
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7, which has not been audited.

Operating performance ratio

- Council continues to exceed the benchmark due to cost containment measures and significant rate and charges income.
- Reduction in ratio in 2018 due to reduction in grant income and return to a 12 month reporting period.

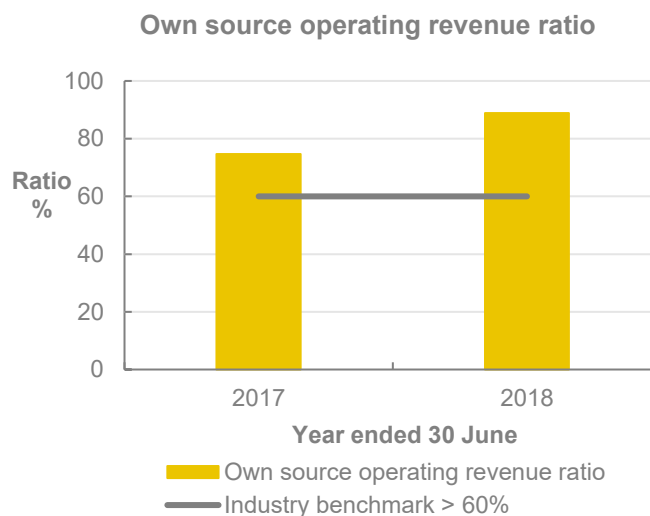
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Ratio above the benchmark due to significant rate and annual charges income.
- Improvement in the ratio due to lower state and commonwealth funding in the current year and lower asset impairments charged to profit and loss.

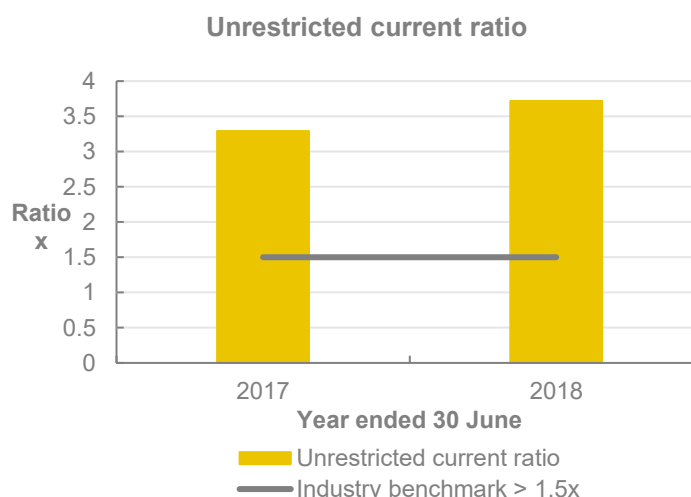
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

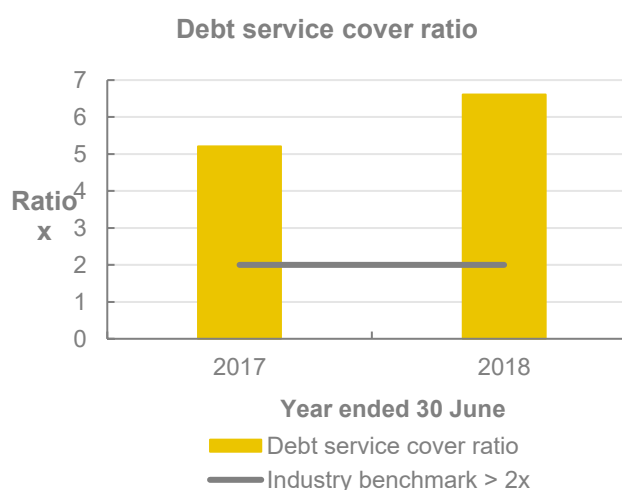
- Council continues to exceed benchmark due to significant cash balances.
- Increase due to utilisation of restricted cash on specified expenditure.

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



Debt service cover ratio

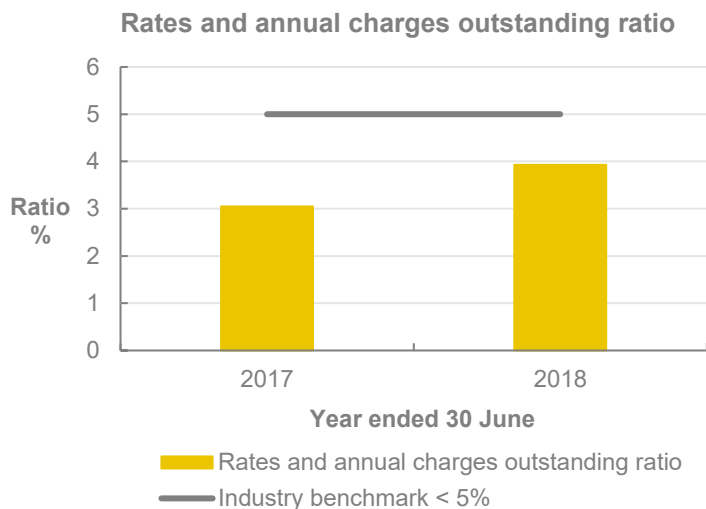
- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council's debt service cover ratio is greater than the industry benchmark of greater than 2 times.
- The ratio indicates that Council has 6.61 times in operating cash available to service its debts, essentially indicating that Council generates sufficient cash from its operations to fund its debt obligations.



Rates and annual charges outstanding ratio

- Council manages to collect debts to exceed the benchmark

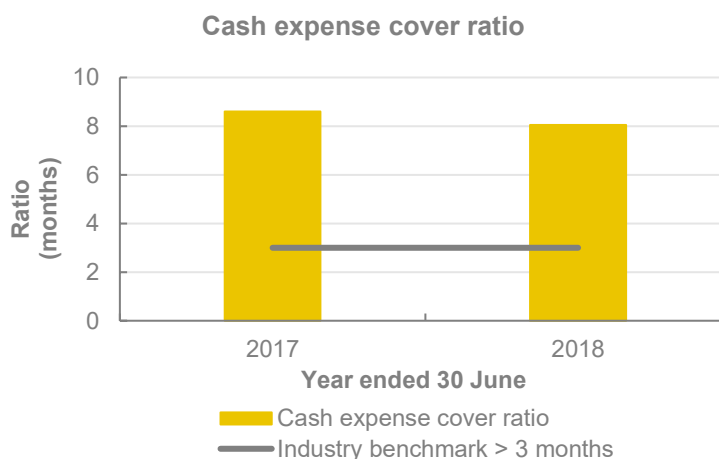
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- The cash expense cover ratio of 8 months exceeded the benchmark of greater than 3 months, with a slight decrease from 2017 to 2018 due to the reduction in state and commonwealth funding.

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

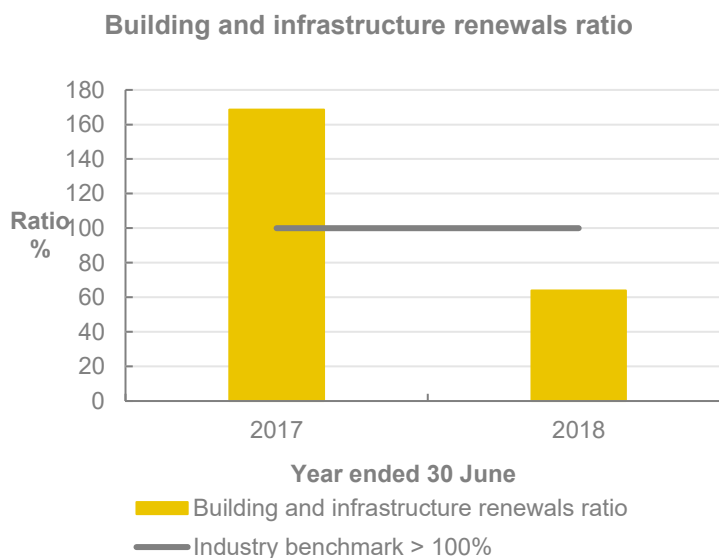


Building and infrastructure renewals ratio (unaudited)

- Council did not meet the benchmark as spending on assets is lower than depreciation
- The ratio decreased from 2017 due to more focus on the amalgamation, data review and condition audits and asset valuation.

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

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



OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

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

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11 (c).

Legislative compliance

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

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



Caroline Karakatsanis
Director, Financial Audit Services

cc: Rick Hart, General Manager
Inner West Council
2-14 Fisher St
PETERSHAM NSW 2049

Tim Hurst, Acting Chief Executive of the Office of Local Government
Locked Bag 3015, NOWRA NSW 2541

Inner West Council

SPECIAL SCHEDULES
for the year ended 30 June 2018



Inner West Council

Special Schedules

for the year ended 30 June 2018

Contents

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Special Schedules ¹

Special Schedule 1	Net Cost of Services	2
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Special Schedule 7	Report on Infrastructure Assets	8

¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

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

Inner West Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	8,069	3	–	(8,066)
Administration	94,261	(1,468)	–	(95,729)
Public order and safety				
Fire service levy, fire protection, emergency services	525	225	–	(300)
Beach control	–	–	–	–
Enforcement of local government regulations	10,975	13,686	–	2,711
Animal control	–	–	–	–
Other	–	–	–	–
Total public order and safety	11,500	13,911	–	2,411
Health	–	–	–	–
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	3,855	690	–	(3,165)
Solid waste management	27,570	39,290	–	11,720
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	630	1,751	144	1,265
Total environment	32,055	41,731	144	9,820
Community services and education				
Administration and education	2,343	70	–	(2,273)
Social protection (welfare)	1,248	37	–	(1,211)
Aged persons and disabled	1,721	1,299	–	(422)
Children's services	16,442	15,875	–	(567)
Total community services and education	21,754	17,281	–	(4,473)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	–	655	–	655
Town planning	9,639	8,508	15,271	14,140
Other community amenities	–	–	–	–
Total housing and community amenities	9,639	9,163	15,271	14,795

Inner West Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	8,226	430	200	(7,596)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	1,017	425	—	(592)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	3,913	150	—	(3,763)
Sporting grounds and venues	3,156	—	—	(3,156)
Swimming pools	10,752	10,122	—	(630)
Parks and gardens (lakes)	8,465	9,220	—	755
Other sport and recreation	—	—	—	—
Total recreation and culture	35,529	20,347	200	(14,982)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	1,168	537	—	(631)
Other mining, manufacturing and construction	—	—	—	—
Total mining, manufacturing and const.	1,168	537	—	(631)
Transport and communication				
Urban roads (UR) – local	3,344	4,632	—	1,288
Urban roads – regional	—	280	1,223	1,503
Sealed rural roads (SRR) – local	—	—	—	—
Sealed rural roads (SRR) – regional	—	—	—	—
Unsealed rural roads (URR) – local	—	—	—	—
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	—	—	—	—
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	2,374	3,870	—	1,496
Footpaths	1,973	1,056	—	(917)
Aerodromes	—	—	—	—
Other transport and communication	16,904	791	—	(16,113)
Total transport and communication	24,595	10,629	1,223	(12,743)
Economic affairs				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	733	198	—	(535)
Total economic affairs	733	198	—	(535)
Totals – functions	239,303	112,332	16,838	(110,133)
General purpose revenues ⁽¹⁾		124,424		124,424
Share of interests – joint ventures and associates using the equity method	—	468		468
NET OPERATING RESULT ⁽²⁾	239,303	237,224	16,838	14,759

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose

(2) As reported in the Income Statement

grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

Inner West Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		2018/19	2018/19	2018/19	2018/19	2017/18	2017/18	2017/18	2017/18
		Former Ashfield Council	Former Leichhardt Council	Former Marrickville Council	Inner West Council	Former Ashfield Council	Former Leichhardt Council	Former Marrickville Council	Inner West Council
Notional general income calculation ⁽¹⁾									
Last year notional general income yield	a	24,943	42,490	47,232	114,665	22,797	41,822	46,621	111,240
Plus or minus adjustments ⁽²⁾	b	41	(168)	(213)	(340)	106	(3)	(48)	55
Notional general income	c = (a + b)	24,984	42,322	47,019	114,325	22,903	41,819	46,573	111,295
Permissible income calculation									
Special variation percentage ⁽³⁾	d	9.30%	0.00%	0.00%	9.30%	8.90%	0.00%	0.00%	8.90%
Or rate peg percentage	e	2.30%	2.30%	2.30%	2.30%	1.50%	1.50%	1.50%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Less expiring special variation amount	g	—	—	—	—	—	—	—	—
Plus special variation amount	h = d x (c – g)	2,323.51	—	—	2,324	2,038	—	—	2,038
Or plus rate peg amount	i = c x e	—	973	1,081	2,055	—	627	699	1,326
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—	—	—	—	—	—	—
Sub-total	k = (c + g + h + i + j)	27,308	43,295	48,100	118,703	24,942	42,446	47,272	114,659
Plus (or minus) last year's carry forward total	l	1	25	41	67	2	46	1	49
Less valuation objections claimed in the previous year	m	—	(23)	—	(23)	—	—	—	—
Sub-total	n = (l + m)	1	2	41	44	2	46	1	49
Total permissible income	o = k + n	27,309	43,298	48,141	118,748	24,944	42,492	47,273	114,708
Less notional general income yield	p	27,261	43,489	48,100	118,850	24,943	42,490	47,232	114,665
Catch-up or (excess) result	q = o – p	48	(191)	41	(102)	1	2	41	43
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	7	48	61	116	—	23	—	23
Less unused catch-up ⁽⁵⁾	s	(2)	—	—	(2)	—	—	—	—
Carry forward to next year	t = q + r – s	53	(143)	102	12	1	25	41	66

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 return (FDR) to administer this process.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Inner West Council

To the Councillors of Inner West Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Inner West Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

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 Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than 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 the Special Schedules excluding Special Schedule 2 (the other Schedules).

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.

A handwritten signature in black ink, appearing to read 'C. Karakatsanis', with a stylized, cursive script.

Caroline Karakatsanis
Director, Financial Audit Services

31 October 2018
SYDNEY

Inner West Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'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	2017/18 Required maintenance ³	2017/18 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	23,908	23,908	2,559	7,013	231,772	316,118	37%	32%	24%	7%	1%
	Sub-total	23,908	23,908	2,559	7,013	231,773	316,118	36.7%	31.9%	23.9%	7.0%	0.5%
Roads												
	Roads	68,130	30,038	18,743	1,812	161,140	317,055	15%	40%	23%	12%	10%
	Bridges	765	765	–	–	10,756	15,422	16%	58%	21%	4%	1%
	Footpaths	4,455	4,455	295	4,595	72,905	107,756	18%	46%	32%	4%	0%
	Other road assets	656	–	57	890	15,250	21,451	22%	57%	19%	3%	0%
	Bulk earthworks	–	–	–	–	512,256	512,259	100%	0%	0%	0%	0%
	Kerb and gutter	29,845	3,725	–	–	111,452	186,959	3%	43%	38%	14%	2%
	Car parks	2,040	510	–	–	11,539	14,416	60%	22%	3%	11%	4%
	Sub-total	105,891	39,493	19,095	7,297	895,298	1,175,318	51.1%	23.9%	16.0%	6.1%	3.0%

Inner West Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ³	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	8,120	935	2,555	893	120,531	174,452	6%	72%	18%	4%	1%
	Sub-total	8,120	935	2,555	893	120,531	174,452	5.8%	71.8%	17.8%	4.1%	0.5%
Open space/recreational assets	Swimming pools	2,859	2,859	204	–	54,404	66,128	71%	17%	8%	4%	0%
	Sub-total	2,859	2,859	204	–	54,404	66,128	70.8%	17.3%	7.5%	4.3%	0.1%
Other infrastructure assets	Seawalls	817	449	–	–	27,250	37,424	23%	54%	22%	1%	1%
	Wharves	880	–	–	–	4,130	6,308	18%	46%	23%	14%	0%
	Land improvements	3,717	3,717	233	4,102	85,446	113,019	41%	38%	18%	3%	0%
	Sub-total	5,414	4,166	233	4,102	116,826	156,751	35.3%	42.3%	18.9%	3.0%	0.4%
	TOTAL – ALL ASSETS	146,192	71,361	24,646	19,305	1,418,832	1,888,767	43.9%	31.0%	17.4%	5.7%	2.0%

Notes:

- 1 "Satisfactory Standard" refers to the estimated cost for the renewal of condition 4 and 5 assets, i.e. the replacement value of condition 4 and 5 assets.
- 2 As there is no agreed level of service set by Inner West Council, the "Agreed Level" refers to the estimated cost for the renewal of individual asset categories as either condition 4 & 5 or just condition 5 determined by the criticality of the asset category. This figure will be refined as future agreed service levels are formulated by Council in consultation with the community.
- 3 Required maintenance is the amount identified in Council's asset management plans.
- 4 Estimate of maintenance spent in the current year to maintain assets.

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

Inner West Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Infrastructure asset performance indicators * consolidated				
1. Buildings and infrastructure renewals ratio ⁽¹⁾				
Asset renewals ⁽²⁾	18,070	64.09%	168.76%	>= 100%
Depreciation, amortisation and impairment	28,194			
2. Infrastructure backlog ratio ⁽¹⁾				
Estimated cost to bring assets to a satisfactory standard	146,192	10.30%	10.63%	< 2.00%
Net carrying amount of infrastructure assets	1,418,835			
3. Asset maintenance ratio				
Actual asset maintenance	19,305	78.33%	100.00%	> 100%
Required asset maintenance	24,646			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	71,361	3.78%	3.55%	
Gross replacement cost	1,888,767			

Notes

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

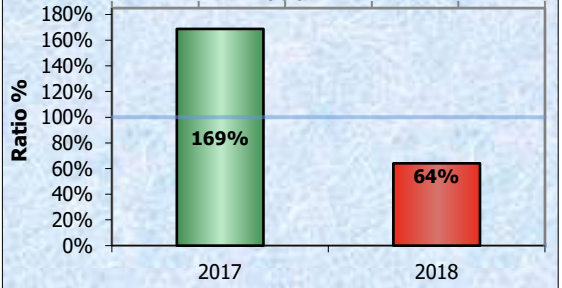
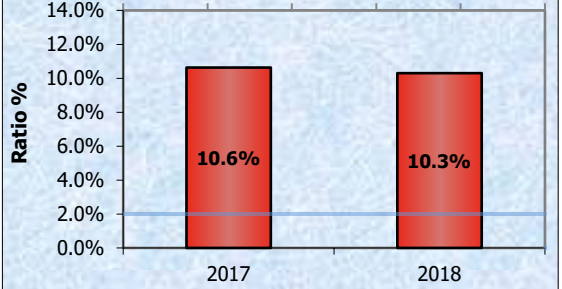
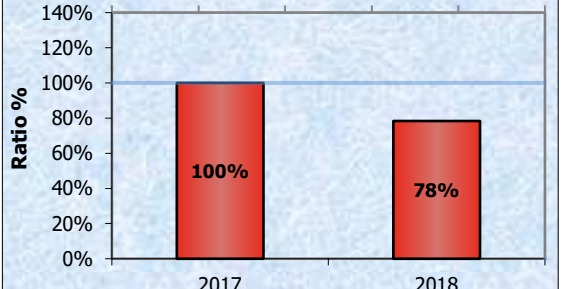
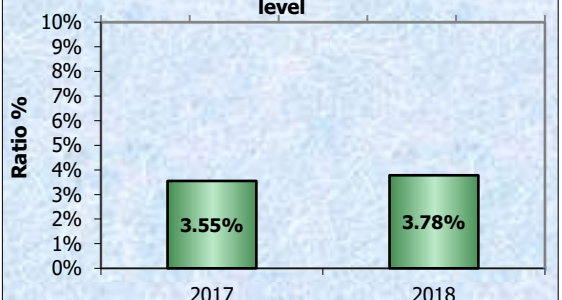
⁽¹⁾ Excludes Work In Progress (WIP)

⁽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.

Inner West Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

<p>1. Buildings and infrastructure renewals ratio</p>  <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 64.09%</p> <p>This significant ratio decrease is attributable to data review and improvements, condition audits and revaluation adjustments. Focus on renewals has been addressed as part of the asset management plans.</p>
<p>2. Infrastructure backlog ratio</p>  <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 10.30%</p> <p>Percentage value has marginally increased compared to 2016/17. This may be attributed to data review and improvement, condition audits and revaluation adjustments.</p>
<p>3. Asset maintenance ratio</p>  <p>Benchmark: — Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 78.33%</p> <p>The actual maintenance has fallen short of the required maintenance value. This will need to be reviewed and increased in future years.</p>
<p>4. Cost to bring assets to agreed service level</p> 	<p>Purpose of agreed service level ratio</p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 3.78%</p> <p>Percentage value constant with 2016/17 - 3.55%</p>