Bayside Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Bayside Council
Serving Our Community

Bayside Council

General Purpose Financial Statements
for the year ended 30 June 2018

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Overview

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

444/446 Princes Highway
Rockdale NSW 2216

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.bayside.nsw.gov.au.

Bayside 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)

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

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

Whilst significant work has been undertaken to develop and implement a new internal control environment and to address the ICAC report on the former City of Botany Bay Council within Bayside Council this cannot correct the past failings, nor address the disclaimed opinion by the Audit Office of NSW. This resulted in a disclaimed opinion by Audit Office of NSW for Bayside Council financial reports (2016/17).

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

Bayside Council has developed a detailed action plan to address the ongoing disclaimer of opinion and implementation of the action items is in progress for future reporting periods.

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

Signed in accordance with a resolution of Council made on 10 April 2019.

Bill Saravinovski
Mayor
10 April 2019

Liz Barlow
Councillor
10 April 2019

Meredith Wallace
General Manager
10 April 2019

Matthew Walker
Responsible Accounting Officer
10 April 2019

Bayside Council

Income Statement
for the year ended 30 June 2018

Original unaudited budget 2018	$ '000	Notes	Actual 2018	Actual 10/9/16 to 30/6/17
	Income from continuing operations			
	Revenue:			
110,872	Rates and annual charges	3a	109,218	19,822
13,181	User charges and fees	3b	20,203	15,561
6,519	Interest and investment revenue	3c	9,935	6,754
17,347	Other revenues	3d	14,744	16,502
8,689	Grants and contributions provided for operating purpose	3e,f	9,757	19,132
40,118	Grants and contributions provided for capital purposes	3e,f	66,289	51,796
	Other income:			
–	Net gains from the disposal of assets	5	–	347
–	Net share of interests in joint ventures and associates using the equity method	16	667	560
196,726	Total income from continuing operations		230,813	130,474
	Expenses from continuing operations			
73,254	Employee benefits and on-costs	4a	68,203	52,534
342	Borrowing costs	4b	247	257
43,959	Materials and contracts	4c	52,142	35,158
22,202	Depreciation and amortisation	4d	21,440	16,797
18,564	Other expenses	4e	19,768	14,949
	Net losses from the disposal of assets	5	15	–
158,321	Total expenses from continuing operations		161,815	119,695
38,405	Operating result from continuing operations		**68,998**	**10,779**
38,405	Net operating result for the year		68,998	10,779
	Gain on local government amalgamation			
–	Assets and liabilities transferred from former councils		–	1,591,780
38,405	Net result for the year		68,998	1,602,559
38,405	Net result attributable to Council		68,998	1,602,559
(1,713)	Net operating result for the year before grants and contributions provided for capital purposes		2,709	(41,017)

Bayside Council

Statement of Comprehensive Income
for the year ended 30 June 2018

$ '000	Notes	2018	10/9/16 to 30/6/17
Net result for the year (as per Income Statement)		**68,998**	**1,602,559**
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Nil			
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total comprehensive income for the year		68,998	1,602,559
Total comprehensive income attributable to Council		68,998	1,602,559

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

Bayside Council

Statement of Financial Position
as at 30 June 2018

$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	54,171	51,619
Investments	6b	270,510	227,746
Receivables	7	17,949	18,685
Inventories	8	239	208
Other	8	551	685
Non-current assets classified as 'held for sale'	9	3,360	2,190
Total current assets		**346,780**	**301,133**
Non-current assets			
Investments	6b	70,510	55,388
Infrastructure, property, plant and equipment	10	1,312,396	1,304,129
Intangible assets	11	3,355	3,487
Investments accounted for using the equity method	16	5,068	4,401
Total non-current assets		**1,391,329**	**1,367,405**
TOTAL ASSETS		1,738,109	1,668,538
LIABILITIES			
Current liabilities			
Payables	12	32,019	29,378
Income received in advance	12	1,079	786
Borrowings	12	1,079	1,101
Provisions	13	24,443	23,672
Total current liabilities		**58,620**	**54,937**
Non-current liabilities			
Borrowings	12	3,854	4,912
Provisions	13	4,078	6,130
Total non-current liabilities		**7,932**	**11,042**
TOTAL LIABILITIES		66,552	65,979
Net assets		1,671,557	1,602,559
EQUITY			
Accumulated surplus	14	1,671,557	1,602,559
Revaluation reserves	14	–	–
Total equity		1,671,557	1,602,559

Bayside Council

Statement of Changes in Equity
for the year ended 30 June 2018

$ '000	Notes	2018 Accumulated surplus	IPP&E revaluation reserve	Total equity	10/9/16 to 30/6/17 Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		1,602,559	–	**1,602,559**	–	–	**–**
Net result for the year prior to correction of errors and changes in accounting policies		**68,998**	**–**	**68,998**	1,602,559	–	**1,602,559**
Net result for the year		**68,998**	**–**	**68,998**	**1,602,559**	**–**	**1,602,559**
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10a	–	–	**–**	–	–	**–**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income (c&d)		**68,998**	**–**	**68,998**	**1,602,559**	**–**	**1,602,559**
Equity – balance at end of the reporting period		**1,671,557**	**–**	**1,671,557**	**1,602,559**	**–**	**1,602,559**

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

Bayside Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	$ '000	Notes	Actual 2018	Actual 10/9/16 to 30/6/17
	Cash flows from operating activities			
	Receipts:			
111,892	Rates and annual charges		108,361	66,775
20,150	User charges and fees		20,445	16,159
7,719	Investment and interest revenue received		8,269	6,520
48,807	Grants and contributions		72,328	72,193
–	Bonds, deposits and retention amounts received		720	1,537
–	Other		30,005	17,413
	Payments:			
(71,642)	Employee benefits and on-costs		(67,413)	(52,808)
(41,136)	Materials and contracts		(56,529)	(41,011)
(316)	Borrowing costs		(216)	(229)
–	Bonds, deposits and retention amounts refunded		–	–
(17,905)	Other		(25,245)	(13,985)
57,569	**Net cash provided (or used in) operating activities**	15b	90,725	72,564
	Cash flows from investing activities			
	Receipts:			
–	Sale of investment securities		90,068	93,381
–	Sale of real estate assets		–	12,566
–	Sale of infrastructure, property, plant and equipment		716	1,684
	Payments:			
–	Purchase of investment securities		(147,916)	(182,660)
(56,104)	Purchase of infrastructure, property, plant and equipment		(29,940)	(81,063)
(56,104)	**Net cash provided (or used in) investing activities**		(87,072)	(156,092)
	Cash flows from financing activities			
	Receipts:			
	Nil			
	Payments:			
(1,366)	Repayment of borrowings and advances		(1,101)	(990)
(1,366)	**Net cash flow provided (used in) financing activities**		(1,101)	(990)
99	**Net increase/(decrease) in cash and cash equivalents**		2,552	(84,518)
51,619	Plus: **cash and cash equivalents – beginning of year**	15a	51,619	–
–	Plus: **cash transferred on amalgamation of councils**		–	136,137
51,718	**Cash and cash equivalents – end of the year**	15a	54,171	51,619
	Additional Information:			
	plus: **Investments on hand – end of year**	6b	341,020	283,134
	Total cash, cash equivalents and investments		395,191	334,753

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

Bayside Council

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

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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 10/04/2019.

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.

Full dollars have been used in Note 23 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

There have been no new (or amended) 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.

(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

Bayside Council

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

Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

(i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,

(ii) estimated tip remediation provisions – refer Note 13,

(iii) employee benefit provisions – refer Note 13.

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

(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.

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.

Bayside Council

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

Note 1. Basis of preparation (continued)

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 July 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 July 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.

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.

Bayside 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 $'000		Expenses from continuing operations $'000		Operating result from continuing operations $'000		Grants included in income from continuing operations $'000		Total assets held (current and non-current) $'000	
	2018	10/9/16 to 30/6/17	**2018**	10/9/16 to 30/6/17	**2018**	10/9/16 to 30/6/17	**2018**	10/9/16 to 30/6/17	**2018**	2017
Bayside will be a Vibrant Place	48,644	27,385	57,392	42,302	(8,748)	(14,917)	12,175	16,788	637,605	627,808
Our People will be Connected in a Smart City	6,873	3,872	19,773	14,656	(12,900)	(10,784)	2,213	3,051	171,853	170,479
Bayside will be green, leafy and sustainable	30,053	16,928	28,601	21,340	1,452	(4,412)	740	1,020	502,942	505,842
We will be a Prosperous Community	145,243	82,289	56,049	41,397	89,194	40,892	5,150	7,102	425,709	364,409
Other	–	–	–	–	–	–	–	–	–	–
Total functions and activities	**230,813**	**130,474**	**161,815**	**119,695**	**68,998**	**10,779**	**20,278**	**27,961**	**1,738,109**	**1,668,538**

Bayside 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:

Bayside will be a Vibrant Place

Built forms focus on efficient use of energy, are sympathetic to the natural landscape and make our area a great place to live. Neighbours, visitors and businesses are connected in dynamic urban environments.

Our People will be Connected in a Smart City

Knowledge sharing and collaboration ensures that we have the expertise and relationships to lead with integrity, adapt to change, connect vulnerable people to community and effectively respond in times of adversity and stress.

Bayside will be green, leafy and sustainable

The biodiversity of the area is protected and enhanced through collaborative partnerships. Vital habitats are supported to rehabilitate, thrive, adapt and recover from risks and climate events. The landscape will be preserved and regenerated to benefit a healthy environment now and in future.

We will be a Prosperous Community

Business innovation, technology, flourishing urban spaces and efficient transport will attract diverse business, skilled employees and generate home based business. Growth in services to the local community will generate employment support, a thriving community and livelihoods.

Bayside Council

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

Note 3. Income from continuing operations

$ '000	2018	10/9/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential	50,054	189
Farmland	7	–
Business	18,559	(1,107)
Total ordinary rates	**68,620**	**(918)**
Special rates		
Parking	99	–
Main street	99	–
Infrastructure levy	10,880	(1)
Local area rates	503	13
Community safety levy	421	–
Total special rates	**12,002**	**12**
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	27,250	20,620
Stormwater management services	1,222	(11)
Section 611 charges	124	119
Total annual charges	**28,596**	**20,728**
TOTAL RATES AND ANNUAL CHARGES	109,218	19,822

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.

Bayside Council

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

Note 3. Income from continuing operations (continued)

$ '000	2018	10/9/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Waste management services (non-domestic)	1,108	922
Waste management services (non-rateable)	103	20
Total specific user charges	**1,211**	**942**
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67	493	467
Section 149 certificates (EPA Act)	362	311
Section 603 certificates	221	190
Town planning	286	49
Building consents and construction certificates	259	231
Building inspections	146	50
Development and planning consent fees	2,445	1,685
Health inspection and approvals fee	1,484	1,130
Other	294	45
Total fees and charges – statutory/regulatory	**5,990**	**4,158**
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Leaseback fees – Council vehicles	466	325
Library and art gallery	87	67
Parking fees	19	5
Restoration charges	2,072	1,514
Sundry sales	55	3
Swimming centres	394	463
Engineering inspections and other fees	171	126
Street furniture advertising fee	295	187
Permits and inspection fees	236	33
Design review panel	99	94
Advertising	67	510
Hire and usage fees	169	539
B/A school fees	496	478
Long day care	1,922	1,083
Golf course	183	267
Meals on wheels	125	125
Contract services	5,881	4,562
Other	265	80
Total fees and charges – other	**13,002**	**10,461**
TOTAL USER CHARGES AND FEES	20,203	15,561

Accounting policy for user charges and fees

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

Bayside Council

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

Note 3. Income from continuing operations (continued)

$ '000	2018	10/9/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	506	362
– Cash and investments	9,391	6,204
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)	38	188
TOTAL INTEREST AND INVESTMENT REVENUE	9,935	6,754
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	506	362
General Council cash and investments	3,858	3,525
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	5,571	2,867
Total interest and investment revenue recognised	**9,935**	**6,754**

Accounting policy for interest and investment revenue
Interest income is recognised using the effective interest rate at the date that interest is earned.

(d) Other revenues

Rental income – other council properties	3,002	1,395
Ex gratia rates	3,524	2,279
Fines – parking	4,206	3,385
Fines – other	874	731
Legal fees recovery – other	714	193
Commissions and agency fees	113	3
Diesel rebate	155	32
Insurance claim recoveries	537	4,804
Sales – general	734	211
Other credit card service fee	100	58
Contract rebates	–	2,766
Rental income – halls and community facilities	370	102
Rental income – parks and sporting facilities	327	259
Other	88	284
TOTAL OTHER REVENUE	14,744	16,502

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

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

Rental income is accounted for on a straight-line basis over the lease term.
Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Bayside Council

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

Note 3. Income from continuing operations (continued)

$ '000	2018 Operating	10/9/16 to 30/6/17 Operating	2018 Capital	10/9/16 to 30/6/17 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	3,693	2,961	–	–
Other				
Pensioners' rates subsidies – general component	838	256	–	–
Total general purpose	**4,531**	**3,217**	**–**	**–**
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	385	105	–	–
Aged care	491	35	–	–
Child care	736	–	–	–
Community care	1,068	1,663	–	–
Environmental protection	260	–	67	–
Heritage and cultural	–	38	38	–
Library	109	70	–	–
Library – per capita	303	289	–	–
Street lighting	629	568	–	–
Traffic route subsidy	14	–	–	–
Transport (other roads and bridges funding)	354	143	26	81
RTA roads and traffic	14	470	568	290
Other – road safety	–	–	53	48
New council implementation funding	–	10,000	–	–
Stronger communities funding	–	1,000	–	9,000
Parks	94	–	10,498	–
Other	40	823	–	121
Total specific purpose	**4,497**	**15,204**	**11,250**	**9,540**
Total grants	**9,028**	**18,421**	**11,250**	**9,540**
Grant revenue is attributable to:				
– Commonwealth funding	3,701	5,020	1,408	–
– State funding	5,237	12,578	9,842	9,338
– Other funding	90	823	–	202
	9,028	**18,421**	**11,250**	**9,540**

Bayside Council

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

Note 3. Income from continuing operations (continued)

$ '000	Notes	2018 Operating	10/9/16 to 30/6/17 Operating	2018 Capital	10/9/16 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		–	–	10,427	767
S 7.11 – contributions towards amenities/services		–	–	38,157	34,991
S 7.12 – fixed development consent levies		–	–	4,760	5,994
Total developer contributions – cash		**–**	**–**	**53,344**	**41,752**
Non-cash contributions					
S 7.4 – contributions using planning agreements		–	–	407	–
Total developer contributions – non-cash		**–**	**–**	**407**	**–**
Total developer contributions	24	**–**	**–**	**53,751**	**41,752**
Other contributions:					
Cash contributions					
Other		729	711	159	504
Total other contributions – cash		**729**	**711**	**159**	**504**
Non-cash contributions					
Dedications		–	–	1,129	–
Total other contributions		**729**	**711**	**1,288**	**504**
Total contributions		729	711	55,039	42,256
TOTAL GRANTS AND CONTRIBUTIONS		9,757	19,132	66,289	51,796

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.

Bayside Council

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

Note 3. Income from continuing operations (continued)

$ '000	2018	10/9/16 to 30/6/17

(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Operating grants		
Unexpended at the close of the previous reporting period	18,806	908
Add: operating grants recognised in the current period but not yet spent	12,227	18,719
Less: operating grants recognised in a previous reporting period now spent	(17,580)	(821)
Unexpended and held as restricted assets (operating grants)	13,453	18,806
Capital grants		
Unexpended at the close of the previous reporting period	1,289	1,229
Add: capital grants recognised in the current period but not yet spent	9,304	111
Less: capital grants recognised in a previous reporting period now spent	(1,154)	(51)
Unexpended and held as restricted assets (capital grants)	9,439	1,289
Contributions		
Unexpended at the close of the previous reporting period	212,292	175,064
Add: contributions recognised in the current period but not yet spent	58,915	42,837
Less: contributions recognised in a previous reporting period now spent	(7,089)	(5,609)
Unexpended and held as restricted assets (contributions)	264,118	212,292

Bayside Council

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

Note 4. Expenses from continuing operations

$ '000	2018	10/9/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages	51,679	40,782
Travel expenses	61	34
Employee leave entitlements (ELE)	9,119	7,089
Superannuation	–	1,386
Superannuation – defined contribution plans	4,680	2,038
Superannuation – defined benefit plans	1,057	1,342
Workers' compensation insurance	2,631	1,819
Fringe benefit tax (FBT)	130	124
Training costs (other than salaries and wages)	515	268
Occupational health and safety	64	48
Other	250	38
Total employee costs	**70,186**	**54,968**
Less: capitalised costs	(1,983)	(2,434)
TOTAL EMPLOYEE COSTS EXPENSED	68,203	52,534
Number of 'full-time equivalent' employees (FTE) at year end	**701**	**703**
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	**824**	**–**

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 18 for more information.

(b) Borrowing costs	2018	10/9/16 to 30/6/17
(i) Interest bearing liability costs		
Interest on loans	226	229
Total interest bearing liability costs expensed	**226**	**229**
(ii) Other borrowing costs		
Interest applicable on interest free (and favourable) loans to Council	21	28
Total other borrowing costs	**21**	**28**
TOTAL BORROWING COSTS EXPENSED	247	257

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.

Bayside Council

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

Note 4. Expenses from continuing operations (continued)

$ '000	2018	10/9/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables	8,638	4,175
Contractor and consultancy costs	47,016	30,786
Auditors remuneration (1)	391	824
Legal expenses:		
– Legal expenses: planning and development	1,056	947
– Legal expenses: other	1,898	738
Computer maintenance	2,670	1,684
Recycling contract	2,495	2,013
Waste collection and disposal	16,255	13,485
Other	35	1
Total materials and contracts	**80,454**	**54,653**
Less: capitalised costs	(28,312)	(19,495)
TOTAL MATERIALS AND CONTRACTS	52,142	35,158

1. Auditor remuneration

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

Auditors of the Council – NSW Auditor-General:

(i) Audit and other assurance services		
Audit and review of financial statements	391	781
Remuneration for audit and other assurance services	**391**	**781**
Total Auditor-General remuneration	**391**	**781**

Non NSW Auditor-General audit firms:

(i) Audit and other assurance services		
Audit and review of financial statements	–	43
Remuneration for audit and other assurance services	**–**	**43**
Total remuneration of non NSW Auditor-General audit firms	**–**	**43**
Total Auditor remuneration	**391**	**824**

Bayside Council

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

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	2018	10/9/16 to 30/6/17
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		2,401	1,696
Office equipment		320	280
Furniture and fittings		110	109
Land improvements (depreciable)		657	460
Infrastructure:			
– Buildings		3,686	2,697
– Other structures		2,431	1,750
– Roads		7,185	5,893
– Bridges		82	66
– Footpaths		1,605	1,261
– Stormwater drainage		1,629	1,301
– Swimming pools		196	135
Other assets:			
– Library books		579	577
Intangible assets	11	559	572
Total depreciation and amortisation costs		21,440	16,797
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		21,440	16,797

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 10 for IPPE assets and Note 11 for intangible 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.

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.

Bayside Council

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

Note 4. Expenses from continuing operations (continued)

$ '000	2018	10/9/16 to 30/6/17
(e) Other expenses		
Advertising	809	592
Bad and doubtful debts	424	152
Bank charges	206	84
Contributions/levies to other levels of government	–	64
– Department of planning levy	801	289
– NSW fire brigade levy	2,327	1,694
Councillor expenses – mayoral fee	50	–
Councillor expenses – councillors' fees	301	8
Councillors' expenses (incl. mayor) – other (excluding fees above)	41	5
Donations, contributions and assistance to other organisations (Section 356)	680	612
Electricity and heating	1,659	984
Insurance	2,264	1,716
Postage	374	279
Printing and stationery	874	744
Street lighting	2,505	2,122
Subscriptions and publications	260	266
Telephone and communications	801	781
Food and beverages	342	430
Fees and charges	1,001	762
Property expenses	580	676
Motor vehicle expenses	2,058	1,680
External hire charges	632	356
Other	779	653
TOTAL OTHER EXPENSES	19,768	14,949

Accounting policy for other expenses

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

Bayside 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	10/9/16 to 30/6/17
Property (excl. investment property)	10		
Less: carrying amount of property assets sold/written off		–	–
Net gain/(loss) on disposal		**–**	**–**
Plant and equipment	10		
Proceeds from disposal – plant and equipment		716	1,684
Less: carrying amount of plant and equipment assets sold/written off		(640)	(1,337)
Net gain/(loss) on disposal		**76**	**347**
Infrastructure	10		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(79)	–
Net gain/(loss) on disposal		**(79)**	**–**
Financial assets (1)	6		
Proceeds from disposal/redemptions/maturities – financial assets		90,068	93,381
Less: carrying amount of financial assets sold/redeemed/matured		(90,068)	(93,381)
Net gain/(loss) on disposal		**–**	**–**
Intangible assets			
Proceeds from disposal – Intangible assets		–	–
Less: carrying amount of Intangible assets assets sold/written off		(12)	–
Net gain/(loss) on disposal		**(12)**	**–**
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(15)	347

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.

Note 6(a). Cash and cash equivalent assets

$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	6,181	16,572
Cash-equivalent assets		
– Deposits at call	47,990	35,047
Total cash and cash equivalents	**54,171**	**51,619**

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.

Bayside Council

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

Note 6(b). Investments

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Held for trading'	–	58,602	55,388	–
b. 'Held to maturity'	270,510	11,908	172,358	55,388
Total investments	**270,510**	**70,510**	**227,746**	**55,388**
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	324,681	70,510	279,365	55,388
Financial assets at fair value through the profit and loss				
Long term deposits	–	58,602	55,388	–
Total	**–**	**58,602**	**55,388**	**–**
Held to maturity investments				
Long term deposits	270,510	–	172,358	–
NCD's, FRN's (with maturities > 3 months)	–	11,908	–	55,388
Total	**270,510**	**11,908**	**172,358**	**55,388**

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.

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

(b) 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.

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.

Bayside Council

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

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

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	324,681	70,510	279,365	55,388
attributable to:				
External restrictions (refer below)	255,382	70,510	212,783	55,388
Internal restrictions (refer below)	68,330	–	65,382	–
Unrestricted	969	–	1,200	–
	324,681	**70,510**	**279,365**	**55,388**

$ '000	2018	2017
Details of restrictions		
External restrictions – other		
Developer contributions – general	264,118	212,292
Specific purpose unexpended grants	17,979	20,095
Domestic waste management	11,203	8,512
Stormwater management	3,735	2,676
Local area funds	13,689	13,264
Infrastructure levy reserve	12,345	8,891
Community safety levy	743	559
Mascot main street	800	701
Mascot parking rate	1,280	1,181
External restrictions – other	325,892	268,171
Total external restrictions	325,892	268,171

Bayside 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
Internal restrictions		
Infrastructure replacement	100	100
Employees leave entitlement	5,341	4,867
Carry over works	2,715	3,642
Deposits, retentions and bonds	2,000	2,000
Plant and equipment	5,066	5,025
Office equipment and it reserve	3,167	1,857
Open space and s94 obligations	1,709	1,608
Public liability claims	610	440
Workers compensation	430	116
Council election	500	710
Strategic priorities	30,603	34,460
Street lighting hardware	554	300
Brighton bath amenities building	3,322	2,871
Arncliffe youth centre	3,031	2,970
Financial assistance grants in advance	2,273	2,960
Contribution to works	437	312
Asset replacement	200	200
Church Ave road widening	200	200
Domestic waste management	122	122
Mascot oval	80	80
O'Riordan St cables	210	210
Public works	224	224
Childrens services	108	108
Audit & Legal	5,328	–
Total internal restrictions	**68,330**	**65,382**
TOTAL RESTRICTIONS	394,222	333,553

Bayside Council

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

Note 7. Receivables

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Purpose				
Rates and annual charges	7,477	–	6,615	–
Interest and extra charges	924	–	876	–
User charges and fees	4,407	–	2,603	–
Accrued revenues				
– Interest on investments	2,874	–	1,289	–
– Other income accruals	25	–	1,268	–
Government grants and subsidies	2,648	–	466	–
Net GST receivable	642	–	1,472	–
Other debtors (Insurance Settlement)	–	–	4,800	–
Other debtors	20	–	14	–
Total	**19,017**	**–**	**19,403**	**–**
Less: provision for impairment				
Rates and annual charges	(94)	–	(89)	–
Interest and extra charges	(71)	–	(66)	–
User charges and fees	(10)	–	(111)	–
Other debtors	(893)	–	(452)	–
Total provision for impairment – receivables	**(1,068)**	**–**	**(718)**	**–**
TOTAL NET RECEIVABLES	17,949	–	18,685	–
Externally restricted receivables				
Domestic waste management	1,883	–	1,795	–
Parking (Mascot)	2	–	38	–
Stormwater management	109	–	121	–
Other				
– Local Area Rates	37	–	46	–
– Mascot Main Street	2	–	39	–
– Unexpended Grants	2,640	–	434	–
Total external restrictions	**4,673**	**–**	**2,473**	**–**
Unrestricted receivables	**13,276**	**–**	**16,212**	**–**
TOTAL NET RECEIVABLES	17,949	–	18,685	–

Movement in provision for impairment of receivables	**2018**	**10/9/16 to 30/6/17**
Balance at the beginning of the year	718	565
+ new provisions recognised during the year	421	153
– amounts already provided for and written off this year	(71)	–
Balance at the end of the year	**1,068**	**718**

Bayside 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.

Bayside Council

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

Note 8. Inventories and other assets

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	223	–	184	–
Trading stock	16	–	24	–
Total inventories at cost	**239**	**–**	**208**	**–**
TOTAL INVENTORIES	239	–	208	–
(b) Other assets				
Prepayments	551	–	685	–
TOTAL OTHER ASSETS	551	–	685	–

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.

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

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

Bayside Council

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

Note 9. Non-current assets classified as held for sale (and disposal groups)

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	3,360	–	2,190	–
Total non-current assets 'held for sale'	**3,360**	**–**	**2,190**	**–**
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'	3,360	–	2,190	–

$ '000	Assets 'held for sale' 2018	to 30/6/17
(ii) Reconciliation of non-current assets 'held for sale'		
Opening balance	2,190	–
Balance still unsold after 12 months:	2,190	–
Plus new transfers in:		
– Assets 'held for sale'	1,170	2,190
Closing balance of 'held for sale' non-current assets and operations	3,360	2,190

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment property that are carried at fair value.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Bayside Council

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

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

Asset class	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements WIP Expensed	Tfrs from/(to) 'held for sale' category	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	9,846	–	9,846	10,310	–	–	–	(8,413)	–	(1,192)	–	10,552	–	10,552
Plant and equipment	14,967	5,868	9,099	5,596	–	(629)	(2,401)	–	–		–	19,221	7,555	11,666
Office equipment	1,547	777	770	89	–	(7)	(320)	–	–		–	1,449	916	533
Furniture and fittings	1,492	934	558	–	–	(4)	(110)	–	–		–	1,034	589	445
Land:														
– Operational land	326,406	–	326,406	–	–	–	–	–	(2,375)		(1,170)	322,862	–	322,862
– Community land	155,029	–	155,029	–	515	–	–	–	2,375		–	157,920	–	157,920
– Land under roads (post 30/6/08)	1,552	–	1,552	–	630	–	–	–	–		–	2,183	–	2,183
Land improvements – non-depreciable	–	–	–	511	–	–	–	132	–		–	643	–	643
Land improvements – depreciable	28,036	8,250	19,786	164	1,789	–	(657)	155	280		–	30,369	8,851	21,518
Infrastructure:														
– Buildings	230,457	64,220	166,237	4,578	1,883		(3,686)	1,864				237,738	66,862	170,876
– Other structures	52,616	16,808	35,808	–	1,930	–	(2,431)	1,474	(280)		–	55,377	18,877	36,500
– Roads	484,966	121,908	363,058	1,765	283	–	(7,185)	2,679	(1,729)		–	487,150	128,272	358,878
– Bridges	7,992	942	7,050	–	–	–	(82)	–	–		–	7,992	1,023	6,969
– Footpaths	97,564	43,124	54,440	412	169	–	(1,605)	1,409	–		–	99,354	44,538	54,816
– Bulk earthworks (non-depreciable)	61,056	–	61,056	23	–	(79)	–	202	1,729		–	62,930	–	62,930
– Stormwater drainage	138,770	52,978	85,792	147	390	–	(1,629)	498	–		–	139,934	54,736	85,198
– Swimming pools	6,442	268	6,174	414	–	–	(196)	–	–		–	6,856	463	6,393
Other assets:														
– Library books	2,980	1,512	1,468	585	–	–	(579)	–	–		–	2,581	1,108	1,473
– Other	–	–	–	–	41	–	–	–	–		–	41	–	41
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	**1,621,718**	**317,589**	**1,304,129**	**24,594**	**7,630**	**(719)**	**(20,881)**	**–**	**–**	**(1,192)**	**(1,170)**	**1,646,186**	**333,790**	**1,312,396**

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

Bayside Council

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

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Other equipment	Years
Playground equipment	5 to 15
Benches, seats etc.	10 to 20
Buildings	
Buildings: Non Specialised	69
Buildings: Specialised	82
Stormwater assets	
Drains	87
Culverts	50 to 80
Flood control structures	80 to 100

Transportation assets	
Sealed roads: surface	25 to 30
Sealed roads: structure	85 to 140
Unsealed roads	20
Bridge: concrete	97
Bridge: other	50
Road pavements	79
Kerb, gutter and footpaths	64

Other infrastructure assets	
Bulk earthworks	Infinite
Swimming pools	25
Unsealed roads	20
Other open space/recreational assets	10 to 50
Other infrastructure	30
Library Assets	5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Bayside Council

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

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

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

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

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

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

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

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

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

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

$ '000	2018			2017		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management						
Plant and equipment	2,307	615	**1,692**	2,580	1,532	**1,048**
Total DWM	**2,307**	**615**	**1,692**	**2,580**	**1,532**	**1,048**
TOTAL RESTRICTED IPP&E	**2,307**	**615**	**1,692**	**2,580**	**1,532**	**1,048**

Bayside Council

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

Note 11. Intangible assets

$ '000	2018	2017

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

Intangible assets are as follows:

Opening values:		
Gross book value (1/7)	5,842	4,588
Accumulated amortisation (1/7)	(2,355)	(1,783)
Net book value – opening balance	**3,487**	**2,805**
Movements for the year		
– Purchases	439	1,254
– Amortisation charges	(559)	(572)
– Gross book value written off	(987)	–
– Accumulated amortisation charges written off	975	–
Closing values:		
Gross book value (30/6)	5,294	5,842
Accumulated amortisation (30/6)	(1,939)	(2,355)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE [1]	3,355	3,487

[1.] **The net book value of intangible assets represent:**

– software includes capitalised development costs being an internally generated intangible assets	3,355	3,487
	3,355	**3,487**

Accounting policy for intangible assets

IT development and software
Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Bayside Council

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

Note 12. Payables and borrowings

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Payables				
Goods and services – operating expenditure	6,041	–	2,265	–
Accrued expenses:				
– Borrowings	10	–	–	–
– Salaries and wages	1,049	–	943	–
– Other expenditure accruals	5,889	–	6,754	–
Security bonds, deposits and retentions	18,549	–	17,829	–
Builders service and plan first levy payable	153	–	348	–
Other	328	–	1,239	–
Total payables	**32,019**	**–**	**29,378**	**–**
Income received in advance				
Payments received in advance	1,079	–	786	–
Total income received in advance	**1,079**	**–**	**786**	**–**
Borrowings				
Loans – secured [1]	1,079	3,854	1,101	4,912
Total borrowings	**1,079**	**3,854**	**1,101**	**4,912**
TOTAL PAYABLES AND BORROWINGS	34,177	3,854	31,265	4,912

(a) Payables and borrowings relating to restricted assets

There are no restricted assets (external or internal) applicable to the above payables and borrowings

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 19.

(b) Changes in liabilities arising from financing activities

Class of borrowings	Opening balance as at 1/7/17	Cash flows	Non-cash changes: Acquisition	Non-cash changes: Fair value changes	Non-cash changes: Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	6,013	(1,080)	–	–	–	**4,933**
TOTAL	**6,013**	**(1,080)**	**–**	**–**	**–**	**4,933**

Bayside Council

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

Note 12. Payables and borrowings (continued)

$ '000	2018	2017
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities [1]	890	890
Credit cards/purchase cards	60	160
Total financing arrangements	**950**	**1,050**
Undrawn facilities as at balance date:		
– Bank overdraft facilities	890	890
– Credit cards/purchase cards	56	160
Total undrawn financing arrangements	**946**	**1,050**

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

Accounting policy for payables and borrowings

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.

Bayside Council

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

Note 13. Provisions

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Provisions				
Employee benefits:				
Annual leave	8,232	–	7,754	–
Sick leave	1,230	–	1,278	–
Long service leave	12,736	367	11,923	608
Gratuities	341	–	373	–
Sub-total – aggregate employee benefits	**22,539**	**367**	**21,328**	**608**
Other provisions:				
Public liability under excess	–	296	–	296
Settlement and legal costs	–	–	1,707	–
Other (Remediation Provision)	–	3,415	–	3,322
Other (Land Disposal Tax)	1,904	–	–	1,904
Other	–	–	637	–
Sub-total – other provisions	**1,904**	**3,711**	**2,344**	**5,522**
TOTAL PROVISIONS	**24,443**	**4,078**	**23,672**	**6,130**

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

$ '000	2018	2017
(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	19,158	–
	19,158	**–**

Bayside Council

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

Note 13. Provisions (continued)

$ '000

(c) Description of and movements in provisions

2018	ELE provisions					
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	Total
At beginning of year	7,754	1,278	12,531	–	373	21,936
Additional provisions	4,138	328	2,488	–	40	6,994
Amounts used (payments)	(3,836)	(116)	(1,477)	–	(82)	(5,511)
Remeasurement effects	275	66	(8)	–	10	343
Unused amounts reversed	(99)	(326)	(431)	–	–	(856)
Total ELE provisions at end of year	8,232	1,230	13,103	–	341	22,906

2017	ELE provisions					
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	Total
At beginning of year	8,222	1,565	11,925	–	368	22,080
Additional provisions	1,145	–	214	–	–	1,359
Amounts used (payments)	(2,636)	(131)	(1,345)	–	–	(4,112)
Remeasurement effects	1,315	30	1,737	–	7	3,089
Unused amounts reversed	(291)	(186)	–	–	(3)	(480)
Total ELE provisions at end of year	7,754	1,278	12,531	–	373	21,936

2018	Other provisions					
	Onerous Contracts	Settlement and legal costs	Other	Self-insurance	Asset remediation	Total
At beginning of year	–	2,308	5,559	–	–	7,867
Changes to provision:						
Additional provisions	–	42	–	–	–	42
Amounts used (payments)	–	(2,350)	–	–	–	(2,350)
Remeasurement effects	–	–	56	–	–	56
Total other provisions at end of year	–	–	5,615	–	–	5,615

2017	Other provisions					
	Onerous Contracts	Settlement and legal costs	Other	Self-insurance	Asset remediation	Total
At beginning of year	4,339	2,398	2,221	–	–	8,958
Changes to provision:						
Additional provisions	–	291	–	–	–	291
Amounts used (payments)	(4,339)	(381)	(1,925)	–	–	(6,645)
Other	–	–	5,263	–	–	5,263
Total other provisions at end of year	–	2,308	5,559	–	–	7,867

Note 13. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a result of past operating activities, has various sites situated within its LGA, that will require it to undertake restoration and remediation works.

Council has legal/public obiligations to make restore, rehabilitate and reinstate a parcel of land and has included a non current provision for $3,415k (re Note13) for these works on land formerly under its care and control.

Settlement and legal costs

In the previous year council recognised a provision for settlement and legal costs. From 2017/18 these costs and associated revenue will be recognised in the relevant period.

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.

Bayside Council

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

Note 13. Provisions (continued)

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Restoration
Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Rehabilitation
Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Bayside Council

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

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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.

Note 15. Statement of cash flows – additional information

$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	54,171	51,619
Balance as per the Statement of Cash Flows		**54,171**	**51,619**
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		**68,998**	**10,779**
Adjust for non-cash items:			
Depreciation and amortisation		21,440	16,797
Net losses/(gains) on disposal of assets		15	(347)
Non-cash capital grants and contributions		(1,536)	(1,782)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(38)	(188)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair value		21	28
Share of net (profits) or losses of associates/joint ventures		(667)	(560)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		386	43,302
Increase/(decrease) in provision for doubtful debts		350	153
Decrease/(increase) in inventories		(31)	166
Decrease/(increase) in other assets		134	1,488
Increase/(decrease) in payables		3,776	148
Increase/(decrease) in accrued interest payable		10	–
Increase/(decrease) in other accrued expenses payable		(759)	1,187
Increase/(decrease) in other liabilities		(93)	2,629
Increase/(decrease) in employee leave entitlements		970	(144)
Increase/(decrease) in other provisions		(2,251)	(1,092)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		**90,725**	**72,564**
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		407	1,782
Other dedications		1,129	–
Total non-cash investing and financing activities		**1,536**	**1,782**

Bayside Council

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

Note 16. Interests in other entities

$ '000

	Council's share of net income		Council's share of net assets	
	2018	10/9/16 to 30/6/17	2018	2017
Joint ventures	667	560	5,068	4,401
Total	**667**	**560**	**5,068**	**4,401**

(a) Joint arrangements

(i) Joint ventures

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Civic Risk Mutual (United Independent Pools)	Joint Venture	Equity method	637	489
Civic Risk Mutual (Metropool)	Joint Venture	Equity method	4,431	3,912
Total carrying amounts – material joint ventures			**5,068**	**4,401**

(b) Details

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

(c) Relevant interests and fair values

	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
Name of entity	2018	2017	2018	2017	2018	2017	2018	2017
Civic Risk Mutual (United Independent Pools)	N/A	N/A	8%	8%	8%	8%	6%	6%
Civic Risk Mutual (Metropool)	N/A	N/A	33%	34%	33%	34%	17%	14%

Bayside Council

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

Note 16. Interests in other entities (continued)

$ '000

(a) Joint arrangements (continued)

(d) Summarised financial information for joint ventures

	Civic Risk Mutual (United Independent Pools)		Civic Risk Mutual (Metropool)	
Statement of financial position	**2018**	**2017**	**2018**	**2017**
Current assets				
Cash and cash equivalents	1,158	506	15	28
Other current assets	5,759	6,239	8,114	5,738
Non-current assets	**5,989**	**5,889**	**16,220**	**18,168**
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	2,690	2,890	1,714	1,443
Other current liabilities	299	423	101	150
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**	**6,491**	**13,549**	**11,611**
Reconciliation of the carrying amount				
Opening net assets (1 July)	6,491	7,585	11,611	11,054
Profit/(loss) for the period	1,978	(796)	1,938	2,189
Other adjustments to equity	–	(298)	–	(1,632)
Closing net assets	**8,469**	**6,491**	**13,549**	**11,611**
Council's share of net assets (%)	**7.5%**	**7.5%**	**32.7%**	**33.7%**
Council's share of net assets ($)	**637**	**489**	**4,431**	**3,912**
	2018	**10/9/16 to 30/6/17**	**2018**	**10/9/16 to 30/6/17**
Statement of comprehensive income				
Income	9,426	8,302	2,115	2,781
Interest income	439	584	1,077	1,089
Other expenses	(7,887)	(9,682)	(1,254)	(1,681)
Profit/(loss) for period	**1,978**	**(796)**	**1,938**	**2,189**
Total comprehensive income	**1,978**	**(796)**	**1,938**	**2,189**
Share of income – Council (%)	**7.5%**	**5.2%**	**26.8%**	**27.5%**
Profit/(loss) – Council ($)	**149**	**(41)**	**519**	**601**
Total comprehensive income – Council ($)	**149**	**(41)**	**519**	**601**

Bayside Council

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

Note 16. Interests in other entities (continued)

Accounting policy for joint arrangements
The Council has determined that it has only joint ventures

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

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

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

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

Bayside Council

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

Note 17. 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	140	6,798
Plant and equipment	2,657	1,276
Infrastructure Works	9,292	16,791
Information Management	580	4,206
Other	6	258
Total commitments	**12,675**	**29,329**
These expenditures are payable as follows:		
Within the next year	12,675	–
Later than one year and not later than 5 years	–	25,479
Later than 5 years	–	3,850
Total payable	**12,675**	**29,329**
Sources for funding of capital commitments:		
Unrestricted general funds	3,403	29,329
Section 7.11 and 64 funds/reserves	9,272	–
Total sources of funding	**12,675**	**29,329**

Details of capital commitments
Completion of Council's capital works program which has commenced.

(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	17	28
Later than one year and not later than 5 years	62	2
Total non-cancellable operating lease commitments	**79**	**30**

b. Non-cancellable operating leases include the following assets:
Office equipment.
Contingent rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to operating leases:
– All operating lease agreements are secured only against the leased asset.
– No lease agreements impose any financial restrictions on Council regarding future debt etc.

Bayside Council

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

Note 18. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contributions plans

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

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

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

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

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

(ii) CivicRisk Metro (formerly Metro Pool)

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

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

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

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

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

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

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

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

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

(iv) StateCover Mutual Limited

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

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

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

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

Bayside Council

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

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

(v) Other guarantees

Council has the following contract performance limited bank guarantee to:

Sydney Airport Corporation Ltd ($400K)

2. Other liabilities

(i) Remediation

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

(ii) Third party claims

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

(iii) S94 plans

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

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

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

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

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

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

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

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

(v) ICAC investigation Operation Ricco

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

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

ASSETS NOT RECOGNISED:

(i) Legal recoveries of fraud

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

(ii) Legal actions

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

(iii) Infringement notices/fines

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

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

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

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

Bayside Council

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

Note 19. 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	54,171	51,619	–	–
Investments				
– 'Held for trading'	58,602	55,388	–	–
– 'Held to maturity'	282,418	227,746	–	–
Receivables	17,949	18,685	–	–
Total financial assets	**413,140**	**353,438**	**–**	**–**
Financial liabilities				
Payables	32,019	29,378	–	–
Loans/advances	4,933	6,013	–	–
Total financial liabilities	**36,952**	**35,391**	**–**	**–**

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.

Bayside Council

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

Note 19. 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.

(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	
2018	**Profit**	**Equity**	**Profit**	**Equity**
Possible impact of a 10% movement in market values	5,860	5,860	(5,860)	(5,860)
Possible impact of a 1% movement in interest rates	2,824	2,824	(2,824)	(2,824)
10/9/16 to 30/6/17				
Possible impact of a 10% movement in market values	5,539	5,539	(5,539)	(5,539)
Possible impact of a 1% movement in interest rates	2,289	2,289	(2,289)	(2,289)

Bayside Council

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

Note 19. 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 monitored by finance and monitored for aceeptable 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)	67%	67%	47%	72%
Overdue	33%	33%	53%	28%
	100%	**100%**	**100%**	**100%**

(ii) Ageing of receivables – value	2018	2017
Rates and annual charges		
Current	45	2,477
< 1 year overdue	5,605	3,483
1 – 2 years overdue	1,692	562
2 – 5 years overdue	586	466
> 5 years overdue	473	368
	8,401	**7,356**
Other receivables		
Current	7,127	9,811
0 – 30 days overdue	659	411
31 – 60 days overdue	10	407
61 – 90 days overdue	429	546
> 91 days overdue	2,391	872
	10,616	**12,047**

Bayside Council

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

Note 19. 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	payable in: ≤ 1 Year	1 – 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2018							
Trade/other payables	0.00%	18,549	13,470	-	-	32,019	**32,019**
Loans and advances	4.36%	-	132	2,348	2,453	4,933	**4,933**
Total financial liabilities		**18,549**	**13,602**	**2,348**	**2,453**	**36,952**	**36,952**
2017							
Trade/other payables	0.00%	17,829	11,549	-	-	29,378	**29,378**
Loans and advances	3.56%	-	1,366	4,139	508	6,013	**6,013**
Total financial liabilities		**17,829**	**12,915**	**4,139**	**508**	**35,391**	**35,391**

Bayside Council

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

Note 20. Material budget variations

$ '000

Council's original financial budget for 17/18 was adopted by the Council on 29 June 2017 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	110,872	109,218	(1,654)	(1%)	U
User charges and fees	13,181	20,203	7,022	53%	F
In addition to the incorrect treatment of other revenues in the original budget, council received additional revenue for development applications, restoration revenue and other revenue streams.					
Interest and investment revenue	6,519	9,935	3,416	52%	F
Council's average investment holdings were greater than forecasted and a conservative interest rate utilised for the budget estimate.					
Other revenues	17,347	14,744	(2,603)	(15%)	U
Items were original included as other revenues in the original budget that have been reclassified to user charges & fees during the preparation of the financial reports.					
Operating grants and contributions	8,689	9,757	1,068	12%	F
Council received the Financial Assistance Grant in advance which was offset with a reduction in other operational contributions and grants revenue.					
Capital grants and contributions	40,118	66,289	26,171	65%	F
Developer contributions were above original budget forecasts and Council was successful in obtaining additional capital grants not included in original budget					
Net gains from disposal of assets	–	–	–	0%	F
Joint ventures and associates - net profits	–	667	667	0%	F
Council does not budget for the results of the Civic Risk Mutual joint ventures.					

Bayside Council

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

Note 20. Material budget variations (continued)

$ '000	2018 Budget	2018 Actual	2018 Variance*		
EXPENSES					
Employee benefits and on-costs	73,254	68,203	5,051	7%	F
Borrowing costs	342	247	95	28%	F
Council original budget included forecast for loan repayments from prior year that were not drawn down.					
Materials and contracts	43,959	52,142	(8,183)	(19%)	U
During the year council used agency temporary staff to cover for vacant positions and does not include allocation in the original budget for this item. Additional legal costs were also incurred as a result complicated planning matters and recovery actions against various parties named in the ICAC Operation Ricco. During the reporting period additional IT costs were incurred as Council brought forward plans to consolidate corporate systems into the 2017/18 financial year.					
Depreciation and amortisation	22,202	21,440	762	3%	F
Other expenses	18,564	19,768	(1,204)	(6%)	U

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

Cash flows from operating activities	57,569	90,725	33,156	57.6%	F
Cash flows from investing activities	(56,104)	(87,072)	(30,968)	55.2%	U
Cash flows from financing activities	(1,366)	(1,101)	265	(19.4%)	F

Note 21. Discontinued operations

(i) Discontinued operations

Council will cease to operate the Airport Business Unit from 30/09/2018.
This operation provided maintenance services for Sydney Airport and the majority of operating staff will transition to the new operator or be absorbed in Council's general business operations. There will be no sale proceeds for this operation as it was a service delivery operation.

Bayside Council

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

Note 22. Fair value measurement

$ '000

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

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

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

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

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

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

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

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

2018		Fair value measurement hierarchy			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Financial assets					
Investments					
– 'Held for trading'	30/06/18	–	58,602	–	58,602
Total financial assets		**–**	**58,602**	**–**	**58,602**
Financial liabilities					
Interest free loans	30/06/18	–	312	–	312
Total financial liabilities		**–**	**312**	**–**	**312**
Infrastructure, property, plant and equipment					
Work in progress	30/06/18	–	10,552	–	10,552
Operatonal land	10/09/16	–	322,862	–	322,862
Plant and equipment	30/06/18	–	–	11,666	11,666
Office equipment	30/06/18	–	–	533	533
Furniture and fittings	30/06/18	–	–	445	445
Library books	30/06/18	–	–	1,473	1,473
Community land	10/09/16	–	–	157,920	157,920
Land improvements	10/09/16	–	–	22,161	22,161
Buildings	10/09/16	–	–	170,876	170,876
Other structures	10/09/16	–	–	36,500	36,500
Roads	10/09/16	–	–	358,878	358,878
Bridges	10/09/16	–	–	6,969	6,969
Footpaths	10/09/16	–	–	54,816	54,816
Bulk Earthworks	10/09/16	–	–	62,930	62,930
Stormwater Drainage	10/09/16	–	–	85,198	85,198
Land under roads	10/09/16	–	–	2,183	2,183
Swimming Pools	10/09/16	–	–	6,393	6,393
Other	dd/mm/yy	–	–	41	41
Total infrastructure, property, plant and equipment		**–**	**333,414**	**978,982**	**1,312,396**

Bayside Council

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

Note 22. Fair value measurement (continued)

$ '000

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

2018		Fair value measurement hierarchy			
		Level 1	Level 2	Level 3	Total
Non-recurring fair value measurements	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Non-current assets classified as 'held for sale'					
Land	10/09/16	–	3,360	–	3,360
Total NCA's classified as 'held for sale'		**–**	**3,360**	**–**	**3,360**

2017					
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	30/06/17	–	55,388	–	55,388
Total financial assets		**–**	**55,388**	**–**	**55,388**
Financial liabilities					
Interest free loans	30/06/17	–	418	–	418
Total financial liabilities		**–**	**418**	**–**	**418**
Infrastructure, property, plant and equipment					
Work in progress	30/06/17	–	9,846	–	9,846
Operatonal land	10/09/16	–	326,406	–	326,406
Plant and equipment	30/06/17	–	–	9,099	9,099
Office equipment	30/06/17	–	–	770	770
Furniture and fittings	30/06/17	–	–	558	558
Library books	30/06/17	–	–	1,468	1,468
Community land	10/09/16	–	–	155,029	155,029
Land improvements	30/06/17	–	–	19,786	19,786
Buildings	10/09/16	–	–	166,237	166,237
Other structures	30/06/17	–	–	35,808	35,808
Roads	10/09/16	–	–	363,058	363,058
Bridges	10/09/16	–	–	7,050	7,050
Footpaths	10/09/16	–	–	54,440	54,440
Bulk Earthworks	10/09/16	–	–	61,056	61,056
Stormwater Drainage	10/09/16	–	–	85,792	85,792
Land under roads	10/09/16	–	–	1,552	1,552
Swimming Pools	10/09/16	–	–	6,174	6,174
Total infrastructure, property, plant and equipment		**–**	**336,252**	**967,877**	**1,304,129**
Non-recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Land	10/09/16	–	2,190	–	2,190
Total NCA's classified as 'held for sale'		**–**	**2,190**	**–**	**2,190**

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

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

Bayside Council

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

Note 22. Fair value measurement (continued)

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

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

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

Level 1 measurements

Financial assets

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

Level 2 measurements

Financial liabilities

Interest free loans

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

Infrastructure, property, plant and equipment (IPPE)

Work in Progress (IPPE)

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

Operational Land

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

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

Bayside Council

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

Note 22. Fair value measurement (continued)

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

Operational land was last revalued at 10 September 2016.

Non-current assets classified as 'held for sale'

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

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

Level 3 measurements

Plant & Equipment, Office Equipment, and Furniture & Fittings

This asset category includes:

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

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

Library Books

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

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

Buildings – Specialised & Non- Specialised

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

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

Bayside Council

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

Note 22. Fair value measurement (continued)

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

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

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

Community Land

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

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

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

Community land was last revalued at 1 July 2016.

Infrastructure assets

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

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

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

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

Roads

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

- Road Pavement
  - Pavement Structure
  - Road Wearing Course

Bayside Council

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

Note 22. Fair value measurement (continued)

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

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

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

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

Road wearing course assets are valued using condition and age based methodology. Road wearing surfaces have been assigned a unit rate of $27 per square metre. Unit rates are based primarily on recent construction rates used in Rockdale pavement surfacing contracts. Unit rate has been expressed as a weighted average for all roads based on the proportion of local and regional roads, which typically have different requirements for wearing surface to reflect different usage. The methodology of determining the area of wearing course has changed since 2010 asset valuation. This has resulted in an increase in wearing course area by approximately 9%.

Bayside Council

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

Note 22. Fair value measurement (continued)

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

Bridges

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

Footpaths

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

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

Stormwater Drainage

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

Stormwater drain assets have been valued using an age-based methodology.
Where applicable, actual costs for asset acquisition or work done are used to determine unit rates. When this information is not available local engineering knowledge and benchmark data contained in the NSW Reference Rates Manual (2014) has been applied.

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

Land Under Roads

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

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

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

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

Bayside Council

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

Note 22. Fair value measurement (continued)

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

Swimming Pools

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

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

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

Intangible assets

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

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

Bayside Council

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

Note 22. Fair value measurement (continued)

$ '000

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

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

	Plant & Equipment	Office Equipment	Furniture & Fittings	Library Books	Total
Balance on transfer from former Councils	8,201	957	644	1,699	11,501
Purchases (GBV)	3,931	93	24	346	4,394
Disposals (WDV)	(1,337)	–	–	–	(1,337)
Depreciation and impairment	(1,696)	(280)	(109)	(577)	(2,662)
Closing balance – 30/6/17	**9,099**	**770**	**559**	**1,468**	**11,896**
Purchases (GBV)	5,596	89	–	585	6,270
Disposals (WDV)	(629)	(7)	(4)	–	(640)
Depreciation and impairment	(2,400)	(319)	(110)	(579)	(3,408)
Closing balance – 30/6/18	**11,666**	**533**	**445**	**1,474**	**14,118**

	Community Land	Land Improveme--nts	Buildings	Other Assets	Total
Balance on transfer from former Councils	154,979	19,602	163,656	–	338,237
Transfers from/(to) another asset class	–	–	(7,173)	–	(7,173)
Purchases (GBV)	50	644	12,451	–	13,145
Depreciation and impairment	–	(460)	(2,697)	–	(3,157)
Closing balance – 30/6/17	**155,029**	**19,786**	**166,237**	**–**	**341,052**
Transfers from/(to) another asset class	2,375	280		–	2,655
Purchases (GBV)	516	2,750	8,325	41	11,632
Depreciation and impairment	–	(657)	(3,686)	–	(4,343)
Closing balance – 30/6/18	**157,920**	**22,159**	**170,876**	**41**	**350,996**

NB: Land improvements disclosed includes both classes of these assets disclosed on Note 10a

Bayside Council

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

Note 22. Fair value measurement (continued)

$ '000

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

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

	Other Structures	Roads	Bridges	Footpaths	Total
Balance on transfer from former Councils	34,707	365,444	7,116	53,868	461,135
Transfers from/(to) another asset class	1,718	678	–	–	2,396
Purchases (GBV)	1,133	2,829	–	1,833	5,795
Depreciation and impairment	(1,750)	(5,893)	(66)	(1,261)	(8,970)
Closing balance – 30/6/17	**35,808**	**363,058**	**7,050**	**54,440**	**460,356**
Transfers from/(to) another asset class	(280)	(1,729)	–	–	(2,009)
Purchases (GBV)	3,403	4,727	–	1,990	10,120
Depreciation and impairment	(2,431)	(7,185)	(82)	(1,605)	(11,303)
Closing balance – 30/6/18	**36,500**	**358,871**	**6,968**	**54,825**	**457,164**

	Bulk Earthworks	Stormwater Drainage	Land Under Roads	Swimming Pools	Total
Balance on transfer from former Councils	61,056	85,614	1,085	1,530	149,285
Transfers from/(to) another asset class	–	–	–	4,779	4,779
Purchases (GBV)	–	1,479	467	–	1,946
Disposals (WDV)	(79)	–	–	–	(79)
Depreciation and impairment	–	(1,301)	–	(135)	(1,436)
Closing balance – 30/6/17	**60,977**	**85,792**	**1,552**	**6,174**	**154,495**
Transfers from/(to) another asset class	1,729	–	–	–	1,729
Purchases (GBV)	225	1,035	630	415	2,305
Depreciation and impairment	–	(1,629)	–	(196)	(1,825)
Closing balance – 30/6/18	**62,931**	**85,198**	**2,182**	**6,393**	**156,704**

(5). Highest and best use

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

Bayside Council

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

Note 23. 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.

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

Compensation:	**2018**	**2017**
Short-term benefits	2,810	1,660
Post-employment benefits	5	–
Other long-term benefits	538	108
Termination benefits	1,120	563
Total	**4,473**	**2,331**

Bayside Council

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

Note 24. 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					
Drainage	18,287	1,468	–	483	(61)	–	**20,177**	–
Roads	10,350	3,050	1	299	(165)	–	**13,534**	–
Traffic facilities	36,252	1,999	–	924	(326)	–	**38,849**	–
Parking	980	34	–	25	–	–	**1,039**	–
Open space	62,818	19,808	–	1,641	(4,440)	6	**79,833**	–
Community facilities	38,188	8,400	–	1,029	(1,205)	–	**46,412**	–
Other	34,933	3,393	–	897	(57)	(6)	**39,160**	–
S7.11 contributions – under a plan	**201,808**	**38,152**	**1**	**5,298**	**(6,254)**	**–**	**239,004**	**–**
S7.12 levies – under a plan	**8,194**	**4,760**	**–**	**215**	**(835)**	**–**	**12,334**	**–**
Total S7.11 and S7.12 revenue under plans	**210,002**	**42,912**	**1**	**5,513**	**(7,089)**	**–**	**251,338**	**–**
S7.11 not under plans	11	4	–	–	–	–	**15**	–
S7.4 planning agreements	2,279	10,428	407	58	–	–	**12,765**	
Total contributions	**212,292**	**53,344**	**408**	**5,571**	**(7,089)**	**–**	**264,118**	**–**

Bayside Council

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

Note 24. Statement of developer contributions (continued)

$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - S94 CITY WIDE PLAN (former Botany)

PURPOSE	Opening balance	Contributions received during the year Cash	Contributions received during the year Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Drainage	5,886	–	–	149	(61)	–	**5,974**	
Traffic facilities	34,579	996	–	879	(326)	–	**36,128**	
Open space	36,692	2,735	–	876	(4,397)	–	**35,906**	
Community facilities	9,499	1,279	–	229	(1,043)	–	**9,964**	
Other	7,884	1,925	–	203	(57)	–	**9,955**	
Total	**94,540**	**6,935**	**–**	**2,336**	**(5,884)**	**–**	**97,927**	**–**

Bayside Council

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

Note 24. Statement of developer contributions (continued)

$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - MASCOT PRECINCT (former Botany)

PURPOSE	Opening balance	Contributions received during the year Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Other	23,596	843	–	601	–	–	**25,040**	
Total	**23,596**	**843**	**–**	**601**	**–**	**–**	**25,040**	**–**

CONTRIBUTION PLAN S94 PLAN 2016-2031 (former Botany)

PURPOSE	Opening balance	Contributions received during the year Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Traffic facilities	1,673	1,003	–	45	–	–	**2,721**	
Open space	6,263	10,796	–	182	–	–	**17,241**	
Community facilities	1,101	1,551	–	31	–	–	**2,683**	
Other	195	146	–	5	–	–	**346**	
Total	**9,232**	**13,496**	**–**	**263**	**–**	**–**	**22,991**	**–**

Bayside Council

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

Note 24. Statement of developer contributions (continued)

$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

Rockdale Contributions Plan 2016 - Urban Renewal Area (Former Rockdale City Council)

PURPOSE	Opening balance	Contributions received during the year Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Drainage	9,573	835	–	254	–	–	**10,662**	
Roads	10,350	3,050	1	299	(165)	–	**13,534**	
Community facilities	23,649	5,487	–	670	(21)	–	**29,785**	
Other	413	154	–	12	–	–	**579**	
Total	**43,985**	**9,526**	**1**	**1,235**	**(186)**	**–**	**54,560**	**–**

Rockdale S94 Contributions Plan 2004 (Former Rockdale City Council)

PURPOSE	Opening balance	Contributions received during the year Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Drainage	2,828	633	–	80	–	–	**3,541**	
Parking	980	34	–	25	–	–	**1,039**	
Open space	19,863	6,277	–	583	(43)	6	**26,686**	
Community facilities	3,939	83	–	99	(141)	–	**3,980**	
Other	1,369	301	–	38	–	(6)	**1,702**	
Total	**28,979**	**7,328**	**–**	**825**	**(184)**	**–**	**36,948**	**–**

Bayside Council

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

Note 24. Statement of developer contributions (continued)

$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

Ramsgate Commercial Centre Development Contributions Plan 2006 (Former Rockdale City Council)

PURPOSE	Opening balance	Contributions received during the year Cash	Contributions received during the year Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Other	1,476	24	–	38	–	–	**1,538**	
Total	**1,476**	**24**	**–**	**38**	**–**	**–**	**1,538**	**–**

S7.12 LEVIES – UNDER A PLAN

S7.12 Levies

PURPOSE	Opening balance	Contributions received during the year Cash	Contributions received during the year Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
S94A Levies	8,194	4,760	–	215	(835)	–	**12,334**	
Total	**8,194**	**4,760**	**–**	**215**	**(835)**	**–**	**12,334**	**–**

Bayside Council

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

Note 24. Statement of developer contributions (continued)

$ '000

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

(Former Rockdale City Council)

PURPOSE	Opening balance	Contributions received during the year Cash	Contributions received during the year Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Inter-allotment Drainage	11	4	–	–	–	–	**15**	
Total	**11**	**4**	**–**	**–**	**–**	**–**	**15**	**–**

S7.4 planning agreements

PURPOSE	Opening balance	Contributions received during the year Cash	Contributions received during the year Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Other	2,279	10,428	407	58	–	–	**12,765**	
Total	**2,279**	**10,428**	**407**	**58**	**–**	**–**	**12,765**	**–**

Bayside Council

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

Note 25. 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	2,019	1.23%	-54.28%	> 0.00%
Total continuing operating revenue [1] excluding capital grants and contributions	163,819			
2. Own source operating revenue ratio				
Total continuing operating revenue [1] excluding all grants and contributions	154,062	66.95%	45.18%	> 60.00%
Total continuing operating revenue [1]	230,108			
3. Unrestricted current ratio				
Current assets less all external restrictions [2]	86,725	2.20x	1.56x	> 1.5x
Current liabilities less specific purpose liabilities [3, 4]	39,462			
4. Debt service cover ratio				
Operating result [1] before capital excluding interest and depreciation/impairment/amortisation	23,706	17.59x	-20.09x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,348			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	8,236	7.04%	9.86%	< 5% metro
Rates, annual and extra charges collectible	117,060			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	383,283	30.56 mths	30.7 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	12,542			

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 12 and 13.

[4] Refer to Note 12(b) and 13(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bayside Council

To the Councillors of Bayside Council

Disclaimer of Opinion

I am required to audit the accompanying general purpose financial statements (the financial statements) of Bayside Council (the Council), which comprise the Statement by Councillors and Management, 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 and Notes to the Financial Statements comprising a summary of significant accounting policies and other explanatory information.

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

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

Basis for Disclaimer of Opinion

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

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

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

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

The Councillor's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

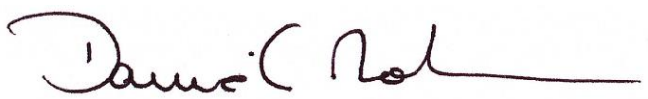
I am independent of the Council in accordance with the requirements of the:

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

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

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

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



David Nolan
Director, Financial Services

5 June 2019
SYDNEY

audit office
OF NEW SOUTH WALES

Bill Saravinovski
Mayor Bayside Council
PO Box 21
ROCKDALE NSW 2216

Contact: David Nolan
Phone no: 02 9275 7377
Our ref: D1911775/1689

5 June 2019

Dear Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

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

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

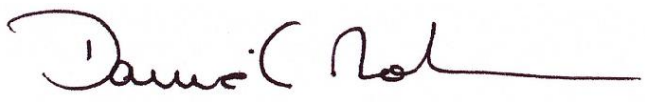
FINANCIAL INFORMATION AND PERFORMANCE RATIOS

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

Other Matters

Legislative compliance

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



David Nolan
Director, Financial Audit Services

cc: Meredith Wallace, General Manager