

# Strathfield Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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# Strathfield Council

## General Purpose Financial Statements

for the year ended 30 June 2018

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### Overview

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

65 Homebush Rd  
Strathfield NSW 2135

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.strathfield.nsw.gov.au](http://www.strathfield.nsw.gov.au).

## Strathfield Council

### General Purpose Financial Statements for the year ended 30 June 2018

#### Understanding Council's financial statements

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##### Introduction

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

##### What you will find in the statements

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

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

##### About the Councillor/Management Statement

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

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

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

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

##### About the Notes to the Financial Statements

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

##### About the Auditor's Reports

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

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

##### Who uses the financial statements?

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

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

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

## Strathfield Municipal Council

### General Purpose Financial Statements for the year ended 30 June 2018

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

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


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

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

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

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

Signed in accordance with a resolution of Council made on 02 October 2018.

  
\_\_\_\_\_  
Gullian Vaccari  
Mayor  
\_\_\_\_\_  
Nella Hall  
Councillor  
\_\_\_\_\_  
Henry Wong  
Chief Executive Officer  
\_\_\_\_\_  
Jenny Nascimento  
Responsible Accounting Officer

## Strathfield Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
26,740	Rates and annual charges	3a	27,654	23,310
5,821	User charges and fees	3b	5,384	4,592
1,123	Interest and investment revenue	3c	1,385	1,519
2,984	Other revenues	3d	3,038	2,404
2,902	Grants and contributions provided for operating purposes	3e,f	3,019	4,033
7,284	Grants and contributions provided for capital purposes	3e,f	11,314	7,471
<b>46,854</b>	<b>Total income from continuing operations</b>		<b>51,794</b>	<b>43,329</b>
<b>Expenses from continuing operations</b>				
16,397	Employee benefits and on-costs	4a	15,456	13,175
5,180	Materials and contracts	4b	7,616	7,993
4,924	Depreciation and amortisation	4c	5,743	5,241
12,948	Other expenses	4d	8,658	7,697
–	Net losses from the disposal of assets	5	2,057	320
<b>39,449</b>	<b>Total expenses from continuing operations</b>		<b>39,530</b>	<b>34,426</b>
<b>7,405</b>	<b>Operating result from continuing operations</b>		<b>12,264</b>	<b>8,903</b>
<b>7,405</b>	<b>Net operating result for the year</b>		<b>12,264</b>	<b>8,903</b>
7,405	Net operating result attributable to Council		12,264	8,903
121	Net operating result for the year before grants and contributions provided for capital purposes		950	1,432

## Strathfield Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>12,264</b>	<b>8,903</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	42,590	14,942
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>42,590</b>	<b>14,942</b>
<b>Total other comprehensive income for the year</b>		<b>42,590</b>	<b>14,942</b>
<b>Total comprehensive income for the year</b>		<b>54,854</b>	<b>23,845</b>
Total comprehensive income attributable to Council		54,854	23,845

## Strathfield Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	21,554	41,288
Investments	6b	32,000	17,000
Receivables	7	3,268	3,239
Inventories	8	210	137
Other	8	83	107
<b>Total current assets</b>		<b>57,115</b>	<b>61,771</b>
<b>Non-current assets</b>			
Receivables	7	67	55
Infrastructure, property, plant and equipment	9	360,472	299,123
<b>Total non-current assets</b>		<b>360,539</b>	<b>299,178</b>
<b>TOTAL ASSETS</b>		<b>417,654</b>	<b>360,949</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	12,549	11,026
Income received in advance	10	317	197
Borrowings	10	–	14
Provisions	11	3,841	3,617
<b>Total current liabilities</b>		<b>16,707</b>	<b>14,854</b>
<b>Non-current liabilities</b>			
Provisions	11	133	135
<b>Total non-current liabilities</b>		<b>133</b>	<b>135</b>
<b>TOTAL LIABILITIES</b>		<b>16,840</b>	<b>14,989</b>
<b>Net assets</b>		<b>400,814</b>	<b>345,960</b>
<b>EQUITY</b>			
Accumulated surplus	12	198,548	186,284
Revaluation reserves	12	202,266	159,676
<b>Total equity</b>		<b>400,814</b>	<b>345,960</b>

## Strathfield Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018			2017		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
<b>Opening balance</b>		186,284	159,676	<b>345,960</b>	177,381	144,734	<b>322,115</b>
<b>Net operating result for the year</b>		<b>12,264</b>	–	<b>12,264</b>	<b>8,903</b>	–	<b>8,903</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9	–	42,590	<b>42,590</b>	–	14,942	<b>14,942</b>
<b>Other comprehensive income</b>		–	<b>42,590</b>	<b>42,590</b>	–	<b>14,942</b>	<b>14,942</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>12,264</b>	<b>42,590</b>	<b>54,854</b>	<b>8,903</b>	<b>14,942</b>	<b>23,845</b>
<b>Equity – balance at end of the reporting period</b>		<b>198,548</b>	<b>202,266</b>	<b>400,814</b>	<b>186,284</b>	<b>159,676</b>	<b>345,960</b>



## Strathfield Council

## Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
26,556	Rates and annual charges		27,756	23,883
5,766	User charges and fees		4,927	4,473
1,319	Investment and interest revenue received		1,694	1,835
10,233	Grants and contributions		14,621	11,437
–	Bonds, deposits and retention amounts received		1,644	970
2,994	Other		6,493	4,018
<b>Payments:</b>				
(16,310)	Employee benefits and on-costs		(15,201)	(12,635)
(5,054)	Materials and contracts		(8,849)	(8,755)
–	Bonds, deposits and retention amounts refunded		(870)	(848)
(12,948)	Other		(11,389)	(9,441)
<b>12,556</b>	<b>Net cash provided (or used in) operating activities</b>	13b	<b>20,826</b>	<b>14,937</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
15,000	Sale of investment securities		34,000	58,500
219	Sale of infrastructure, property, plant and equipment		628	906
<b>Payments:</b>				
–	Purchase of investment securities		(49,000)	(33,000)
(28,874)	Purchase of infrastructure, property, plant and equipment		(26,174)	(10,733)
<b>(13,655)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(40,546)</b>	<b>15,673</b>
<b>Cash flows from financing activities</b>				
Nil				
<b>(1,099)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(19,720)</b>	<b>30,610</b>
19,128	Plus: <b>cash and cash equivalents – beginning of year</b>	13a	41,274	10,664
<b>18,029</b>	<b>Cash and cash equivalents – end of the year</b>	13a	<b>21,554</b>	<b>41,274</b>
Additional Information:				
plus:	<b>Investments on hand – end of year</b>	6b	32,000	17,000
	<b>Total cash, cash equivalents and investments</b>		<b>53,554</b>	<b>58,274</b>

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 02/10/2018.

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

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

#### Basis of preparation

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

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

Full dollars have been used in Note 19 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 17 – 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

## Strathfield 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 9,
- (ii) employee benefit provisions – refer Note 11.

#### **Significant judgements in applying the Council's accounting policies**

- (iii) 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.

Council does not have a consolidated fund. Council only has one fund which is the General Fund.

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

#### **Goods and Services Tax (GST)**

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

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

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

#### **New accounting standards and interpretations issued not yet effective**

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

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

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

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	–	–	471	516	(471)	(516)	–	–	–	–
Administration	1,665	2,565	4,983	4,397	(3,318)	(1,832)	–	–	110,733	77,073
Public Order and Safety	2,060	904	2,182	1,529	(122)	(625)	–	–	38	38
Health	142	167	814	780	(672)	(613)	–	–	–	–
Environment	11,437	8,294	9,882	8,691	1,555	(397)	234	681	40,310	38,502
Community Services and Education	198	207	981	997	(783)	(790)	193	174	4,092	2,966
Housing and Community Amenities	782	861	2,392	1,375	(1,610)	(514)	–	128	6,121	4,720
Recreation and Culture	9,744	7,834	8,644	8,482	1,100	(648)	113	218	90,882	77,185
Mining, Manufacturing and Construction	1,083	1,033	2,785	2,623	(1,702)	(1,590)	–	–	–	–
Transport and Communication	5,173	1,843	6,396	5,036	(1,223)	(3,193)	591	7	165,478	160,465
Economic Affairs	–	22	–	–	–	22	–	–	–	–
General Purpose Income	19,510	19,599	–	–	19,510	19,599	1,228	1,739	–	–
<b>Total functions and activities</b>	<b>51,794</b>	<b>43,329</b>	<b>39,530</b>	<b>34,426</b>	<b>12,264</b>	<b>8,903</b>	<b>2,359</b>	<b>2,947</b>	<b>417,654</b>	<b>360,949</b>

## Strathfield 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:**

##### **Governance**

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

##### **Administration**

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

##### **Public Order and Safety**

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

##### **Health**

Includes immunisation, food control, health centres etc.

##### **Environment**

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

##### **Community Services and Education**

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

##### **Housing and Community Amenities**

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

##### **Recreation and Culture**

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

##### **Mining, Manufacturing and Construction**

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

##### **Transport and Communication**

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

##### **Economic Affairs**

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

##### **General Purpose Income**

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

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	12,113	11,513
Business	5,141	5,064
Less: pensioner rebates (mandatory)	(171)	(208)
Less: pensioner rebates (Council policy)	(36)	–
<b>Total ordinary rates</b>	<b>17,047</b>	<b>16,369</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	10,457	6,730
Stormwater management services	303	303
Section 611 charges	43	43
Less: pensioner rebates (mandatory)	(103)	(107)
Less: pensioner rebates (Council policy)	(93)	(28)
<b>Total annual charges</b>	<b>10,607</b>	<b>6,941</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>27,654</b>	<b>23,310</b>

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.

<b>(b) User charges and fees</b>			<b>2018</b>	<b>2017</b>
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)				
Domestic waste management services		3	25	
Waste management services (non-domestic)		114	175	
<b>Total specific user charges</b>		<b>117</b>	<b>200</b>	
<b>Other user charges and fees</b>				
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>				
Inspection services		44	67	
Planning and building regulation		946	921	
Section 149 certificates (EPA Act)		137	112	
Section 603 certificates		61	59	
Health act		142	167	
Other		13	11	
<b>Total fees and charges – statutory/regulatory</b>		<b>1,343</b>	<b>1,337</b>	

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(b) User charges and fees (continued)</b>		
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Community centres	171	205
Community services	30	33
Companion animals	20	14
Credit card service fee	41	38
Festivals and events	64	23
Fire and emergency services levy (FESL) implementation	6	223
Hoarding income	1,300	58
Hudson park golf course and driving range	1,050	669
Lease rentals and hall hire	52	45
Leaseback fees – Council vehicles	95	161
Library	26	25
Other property rentals	465	497
Park and sporting ground rents	112	436
Parking fees	31	–
Partial road closure	16	52
Pipeline charges	97	90
Privately funded works and anchor work permits	21	43
Road opening permits	71	47
Restoration charges	4	226
Work zone parking and standing plant permits	198	141
Residential Parking Scheme	13	–
Other	41	29
<b>Total fees and charges – other</b>	<b>3,924</b>	<b>3,055</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>5,384</b>	<b>4,592</b>
<b>Accounting policy for user charges and fees</b>		
User charges and fees are recognised as revenue when the service has been provided.		
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest</b>		
– Overdue rates and annual charges (incl. special purpose rates)	58	63
– Cash and investments	1,327	1,456
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>1,385</b>	<b>1,519</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	58	63
General Council cash and investments	978	1,134
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	349	322
<b>Total interest and investment revenue recognised</b>	<b>1,385</b>	<b>1,519</b>
<b>Accounting policy for interest and investment revenue</b>		
Interest income is recognised using the effective interest rate at the date that interest is earned.		



## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(d) Other revenues</b>		
Ex gratia rates	199	294
Fines – compliance and environmental	50	131
Fines – parking	1,977	939
Fines – other	14	12
Legal fees recovery – rates and charges (extra charges)	362	342
Legal fees recovery – other	38	54
Diesel rebate	35	59
Events sponsorship	–	13
Insurance claim recoveries	–	208
Insurance incentives	73	88
Nursery sales	7	15
Other corporate income	87	32
Recycling income (non-domestic)	126	96
Utilities reimbursements	27	30
Other	43	91
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>3,038</u></b>	<b><u>2,404</u></b>

#### 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.

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	850	1,217	–	–
Financial assistance – local roads component	284	408	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	94	114	–	–
<b>Total general purpose</b>	<b>1,228</b>	<b>1,739</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	57	59	–	–
Aged care	162	167	–	–
Community care	31	2	–	–
Environmental protection	65	471	–	–
Heritage and cultural	–	5	–	–
Library	76	74	–	–
Library – per capita	37	37	–	–
Noxious weeds	31	30	–	–
Other – waste	81	121	–	–
Road safety	32	–	–	–
Recreation and culture	–	107	–	–
Street lighting	129	128	–	–
Transport (roads to recovery)	255	7	–	–
Transport (other roads and bridges funding)	175	–	–	–
<b>Total specific purpose</b>	<b>1,131</b>	<b>1,208</b>	<b>–</b>	<b>–</b>
<b>Total grants</b>	<b>2,359</b>	<b>2,947</b>	<b>–</b>	<b>–</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	1,549	2,400	–	–
– State funding	779	547	–	–
– Other funding	31	–	–	–
	<b>2,359</b>	<b>2,947</b>	<b>–</b>	<b>–</b>

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		174	169	11,314	7,471
<b>Total developer contributions – cash</b>		<b>174</b>	<b>169</b>	<b>11,314</b>	<b>7,471</b>
<b>Total developer contributions</b>	20	<b>174</b>	<b>169</b>	<b>11,314</b>	<b>7,471</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Cooks river alliance		348	386	–	–
RMS contributions (regional roads, block grant)		138	501	–	–
Other		–	30	–	–
<b>Total other contributions – cash</b>		<b>486</b>	<b>917</b>	<b>–</b>	<b>–</b>
<b>Total other contributions</b>		<b>486</b>	<b>917</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>		<b>660</b>	<b>1,086</b>	<b>11,314</b>	<b>7,471</b>
<b><u>TOTAL GRANTS AND CONTRIBUTIONS</u></b>		<b><u>3,019</u></b>	<b><u>4,033</u></b>	<b><u>11,314</u></b>	<b><u>7,471</u></b>

**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.

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	1,630	1,357
<b>Add:</b> operating grants recognised in the current period but not yet spent	918	1,407
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(1,471)	(1,134)
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>1,077</u>	<u>1,630</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	31,927	27,919
<b>Add:</b> contributions recognised in the current period but not yet spent	11,837	7,962
<b>Less:</b> contributions recognised in a previous reporting period now spent	(20,658)	(3,954)
<b>Unexpended and held as restricted assets (contributions)</b>	<u>23,106</u>	<u>31,927</u>

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations

\$ '000	2018	2017
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	13,248	10,157
Employee termination costs (where material – other than vested leave paid)	406	103
Travel expenses	9	468
Employee leave entitlements (ELE)	2,973	2,002
Superannuation	1,545	1,196
Workers' compensation insurance	503	475
Fringe benefit tax (FBT)	112	100
Training costs (other than salaries and wages)	217	153
Other	28	23
<b>Total employee costs</b>	<b>19,041</b>	<b>14,677</b>
Less: capitalised costs	(3,585)	(1,502)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>15,456</b>	<b>13,175</b>
Number of 'full-time equivalent' employees (FTE) at year end	<b>207</b>	<b>195</b>

#### 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 15 for more information.

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
<b>(b) Materials and contracts</b>		
Raw materials and consumables	3,521	3,488
Contractor and consultancy costs	1,524	1,740
– Contract relief staff	415	939
– Street and gutter cleaning	519	476
Auditors remuneration <sup>(2)</sup>	91	102
Infringement notice contract costs (SEINS)	287	149
Legal expenses:		
– Legal expenses: planning and development	624	312
– Legal expenses: debt recovery	458	395
– Legal expenses: other	103	303
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	74	89
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>	<b><u>7,616</u></b>	<b><u>7,993</u></b>
<b>Operating leases</b>		
Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.		
<b>1. Operating lease payments are attributable to:</b>		
Computers	74	89
	<b><u>74</u></b>	<b><u>89</u></b>
<b>2. Auditor remuneration</b>		
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		
<b>Auditors of the Council – NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	67	60
<b>Remuneration for audit and other assurance services</b>	<b><u>67</u></b>	<b><u>60</u></b>
<b>Total Auditor-General remuneration</b>	<b><u>67</u></b>	<b><u>60</u></b>
<b>Non NSW Auditor-General audit firms:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	–	20
Internal audit	24	22
<b>Remuneration for audit and other assurance services</b>	<b><u>24</u></b>	<b><u>42</u></b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b><u>24</u></b>	<b><u>42</u></b>
<b>Total Auditor remuneration</b>	<b><u>91</u></b>	<b><u>102</u></b>

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
<b>(c) Depreciation, amortisation and impairment</b>		
<b>Depreciation and amortisation</b>		
Plant and equipment	956	801
Office equipment	248	175
Land improvements (depreciable)	71	20
Park assets	931	750
<b>Infrastructure:</b>		
– Buildings – non-specialised	121	116
– Buildings – specialised	522	524
– Roads	1,726	1,706
– Bridges	51	51
– Footpaths	426	420
– Stormwater drainage	528	528
<b>Other assets:</b>		
– Library books	116	102
– Other	47	48
<b>Total depreciation and amortisation costs</b>	<b>5,743</b>	<b>5,241</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u></b>	<b><u>5,743</u></b>	<b><u>5,241</u></b>

#### Accounting policy for depreciation, amortisation and impairment expenses

##### Depreciation and amortisation

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

##### Impairment of non-financial assets

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.

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
<b>(d) Other expenses</b>		
Advertising	126	210
Bad and doubtful debts	8	(227)
Bank charges	70	74
Cleaning	368	271
Contributions/levies to other levels of government		
– Department of planning levy	91	89
– Emergency services levy (includes FRNSW, SES, and RFS levies)	62	68
– NSW fire brigade levy	611	556
Councillor expenses – mayoral fee	44	41
Councillor expenses – councillors' fees	136	130
Councillors' expenses (incl. mayor) – other (excluding fees above)	45	41
Donations, contributions and assistance to other organisations (Section 356)	75	82
Election expenses	191	–
Electricity and heating	510	440
Fire and emergency services levy (FESL) implementation costs	15	143
Insurance	437	424
Office expenses (including computer expenses)	733	467
Postage	152	121
Printing and stationery	146	142
Security	35	33
Street lighting	627	652
Subscriptions, memberships and publications	169	49
Telephone and communications	195	133
Valuation fees	23	60
Waste disposal – tipping fees	3,227	3,682
Cooks River Alliance - End of Term	542	–
Other	20	16
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>8,658</u></b>	<b><u>7,697</u></b>

**Accounting policy for other expenses**

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



## Strathfield 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	2017
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		628	858
Less: carrying amount of plant and equipment assets sold/written off		(604)	(572)
<b>Net gain/(loss) on disposal</b>		<b>24</b>	<b>286</b>
<b>Infrastructure</b>	9		
Proceeds from disposal – infrastructure		–	48
Less: carrying amount of infrastructure assets sold/written off		(1,780)	(600)
<b>Net gain/(loss) on disposal</b>		<b>(1,780)</b>	<b>(552)</b>
<b>Financial assets</b>	6		
Proceeds from disposal/redemptions/maturities – financial assets		34,000	58,500
Less: carrying amount of financial assets sold/redeemed/matured		(34,000)	(58,500)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Other (land &amp; building)</b>			
Less: carrying amount of Other (land & building) assets sold/written off		(301)	(54)
<b>Net gain/(loss) on disposal</b>		<b>(301)</b>	<b>(54)</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(2,057)</u></b>	<b><u>(320)</u></b>

**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

<b>Cash and cash equivalents</b>			
Cash on hand and at bank		1,399	6
Cash-equivalent assets			
– Deposits at call		10,155	11,282
– Short-term deposits		10,000	30,000
<b>Total cash and cash equivalents</b>		<b>21,554</b>	<b>41,288</b>

**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.

## Strathfield Council

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

## Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
<b>Investments</b>				
'Held to maturity'	32,000	–	17,000	–
<b>Total investments</b>	<b>32,000</b>	<b>–</b>	<b>17,000</b>	<b>–</b>
<b><u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u></b>	<b><u>53,554</u></b>	<b><u>–</u></b>	<b><u>58,288</u></b>	<b><u>–</u></b>
<b>Held to maturity investments</b>				
Long term deposits	32,000	–	17,000	–
<b>Total</b>	<b>32,000</b>	<b>–</b>	<b>17,000</b>	<b>–</b>

**Accounting policy for investments****Classification**

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

**Held to maturity investments**

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

**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.

## Strathfield 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		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	53,554	–	58,288	–
<b>attributable to:</b>				
External restrictions (refer below)	28,964	–	38,079	–
Internal restrictions (refer below)	13,009	–	14,206	–
Unrestricted	11,581	–	6,003	–
	<b>53,554</b>	<b>–</b>	<b>58,288</b>	<b>–</b>

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Details of restrictions</b>				
<b>External restrictions – other</b>				
Developer contributions – general			23,106	31,927
Specific purpose unexpended grants			1,077	1,630
Domestic waste management			3,631	3,568
Stormwater management			1,150	954
<b>External restrictions – other</b>			<b>28,964</b>	<b>38,079</b>
<b>Total external restrictions</b>			<b>28,964</b>	<b>38,079</b>
<b>Internal restrictions</b>				
Plant and vehicle replacement			1,130	1,130
Employees leave entitlement			1,285	1,285
Carry over works			432	738
Deposits, retentions and bonds			7,880	6,985
Adshel (bus shelters)			270	270
Election			59	200
Future major expenditure			1,371	3,016
Parkscape improvements			29	29
Risk management			195	195
Technology			358	358
<b>Total internal restrictions</b>			<b>13,009</b>	<b>14,206</b>
<b>TOTAL RESTRICTIONS</b>			<b>41,973</b>	<b>52,285</b>

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	526	67	640	55
Interest and extra charges	54	–	65	–
User charges and fees	1,688	–	792	–
Accrued revenues				
– Interest on investments	160	–	458	–
– Other income accruals	207	–	445	–
Government grants and subsidies	38	–	326	–
Net GST receivable	533	–	452	–
Other debtors	85	–	75	–
<b>Total</b>	<b>3,291</b>	<b>67</b>	<b>3,253</b>	<b>55</b>
<b>Less: provision for impairment</b>				
User charges and fees	(23)	–	(14)	–
<b>Total provision for impairment – receivables</b>	<b>(23)</b>	<b>–</b>	<b>(14)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>3,268</u></b>	<b><u>67</u></b>	<b><u>3,239</u></b>	<b><u>55</u></b>

There are no restrictions applicable to the above assets.

#### Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	14	241
+ new provisions recognised during the year	9	–
– previous impairment losses reversed	–	(227)
<b>Balance at the end of the year</b>	<b>23</b>	<b>14</b>

#### 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.

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.

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables (continued)

##### Accounting policy for receivables (continued)

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.

#### Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	210	–	137	–
<b>Total inventories at cost</b>	<b>210</b>	<b>–</b>	<b>137</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>210</b>	<b>–</b>	<b>137</b>	<b>–</b>
<b>(b) Other assets</b>				
Prepayments	83	–	107	–
<b>TOTAL OTHER ASSETS</b>	<b>83</b>	<b>–</b>	<b>107</b>	<b>–</b>

##### 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.

## Strathfield Council

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

## Note 9. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period						as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>												
Capital work in progress	873	–	873	2,030	–	–	–	–	–	2,903	–	2,903
Plant and equipment	7,133	3,204	3,929	–	1,808	(604)	(956)	–	–	7,369	3,192	4,177
Office equipment	2,524	1,596	928	–	1,274	–	(248)	–	–	3,798	1,844	1,954
<b>Land:</b>												
– Operational land	32,104	–	32,104	–	–	–	–	–	37,071	69,175	–	69,175
– Community land	44,385	–	44,385	–	–	–	–	–	–	44,385	–	44,385
Land improvements – depreciable	2,125	97	2,028	159	967	–	(71)	–	–	3,251	168	3,083
Park assets	22,948	8,019	14,929	8,972	3,362	(643)	(931)	74	–	34,085	8,322	25,763
<b>Infrastructure:</b>												
– Buildings – non-specialised	6,670	2,995	3,675	927	–	–	(121)	–	1,636	8,698	2,581	6,117
– Buildings – specialised	30,782	12,580	18,202	341	776	(301)	(522)	(74)	3,883	37,107	14,802	22,305
– Roads	119,350	38,016	81,334	3,806	363	(455)	(1,726)	49	–	122,031	38,660	83,371
– Bridges	14,227	9,698	4,529	–	–	–	(51)	–	–	14,227	9,749	4,478
– Footpaths	33,992	9,308	24,684	1,929	50	(680)	(426)	–	–	34,896	9,339	25,557
– Bulk earthworks (non-depreciable)	31,065	–	31,065	–	–	–	–	–	–	31,065	–	31,065
– Stormwater drainage	56,659	20,776	35,883	86	–	(2)	(528)	–	–	56,739	21,300	35,439
<b>Other assets:</b>												
– Library books	1,606	1,229	377	–	120	–	(116)	–	–	1,727	1,346	381
– Other	922	724	198	–	217	–	(47)	(49)	–	1,042	723	319
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>407,365</b>	<b>108,242</b>	<b>299,123</b>	<b>18,250</b>	<b>8,937</b>	<b>(2,685)</b>	<b>(5,743)</b>	<b>–</b>	<b>42,590</b>	<b>472,498</b>	<b>112,026</b>	<b>360,472</b>

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

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

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.

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 9. 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.

**Crown reserves**

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

## Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	1,192	–	1,550	–
Goods and services – capital expenditure	2,714	–	1,701	–
Accrued expenses:				
– Salaries and wages	631	–	550	–
– Other expenditure accruals	131	–	118	–
Security bonds, deposits and retentions	7,881	–	7,107	–
<b>Total payables</b>	<b>12,549</b>	<b>–</b>	<b>11,026</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	317	–	197	–
<b>Total income received in advance</b>	<b>317</b>	<b>–</b>	<b>197</b>	<b>–</b>
<b>Borrowings</b>				
Bank overdraft	–	–	14	–
<b>Total borrowings</b>	<b>–</b>	<b>–</b>	<b>14</b>	<b>–</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>12,866</b>	<b>–</b>	<b>11,237</b>	<b>–</b>

**(a) Payables and borrowings relating to restricted assets**

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

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

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

	2018	2017
Payables – security bonds, deposits and retentions	6,600	5,900
	<b>6,600</b>	<b>5,900</b>



## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 10. Payables and borrowings (continued)

\$ '000	2018	2017
<b>(c) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Bank overdraft facilities <sup>(1)</sup>	–	14
Credit cards/purchase cards	37	37
<b>Total financing arrangements</b>	<b>37</b>	<b>51</b>
<b>Drawn facilities as at balance date:</b>		
– Bank overdraft facilities	–	14
– Credit cards/purchase cards	–	11
<b>Total drawn financing arrangements</b>	<b>–</b>	<b>25</b>
<b>Undrawn facilities as at balance date:</b>		
– Credit cards/purchase cards	37	26
<b>Total undrawn financing arrangements</b>	<b>37</b>	<b>26</b>

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 (continued)****Payables**

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

**Borrowings**

Council does not have any borrowings.

**Finance leases**

Council does not have finance leases.

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	1,376	–	1,270	–
Sick leave	103	–	116	–
Long service leave	2,098	133	1,982	135
ELE on-costs	264	–	249	–
<b>TOTAL PROVISIONS</b>	<b>3,841</b>	<b>133</b>	<b>3,617</b>	<b>135</b>

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

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

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

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

Provisions – employees benefits	2,499	2,409
	<b>2,499</b>	<b>2,409</b>

**(c) Description of and movements in provisions**

2018	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	
At beginning of year	1,270	116	2,117	249	3,752
Additional provisions	1,162	3	788	25	1,978
Amounts used (payments)	(1,060)	(17)	(450)	–	(1,527)
Remeasurement effects	4	1	(224)	(10)	(229)
<b>Total ELE provisions at end of year</b>	<b>1,376</b>	<b>103</b>	<b>2,231</b>	<b>264</b>	<b>3,974</b>
<b>2017</b>					
At beginning of year	1,250	114	1,722	293	3,379
Additional provisions	824	–	821	–	1,645
Amounts used (payments)	(846)	–	(324)	–	(1,170)
Remeasurement effects	42	2	(102)	(44)	(102)
<b>Total ELE provisions at end of year</b>	<b>1,270</b>	<b>116</b>	<b>2,117</b>	<b>249</b>	<b>3,752</b>

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions (continued)

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##### **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.

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. 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 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	21,554	41,288
Less bank overdraft	10	–	(14)
<b>Balance as per the Statement of Cash Flows</b>		<b>21,554</b>	<b>41,274</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>12,264</b>	<b>8,903</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		5,743	5,241
Net losses/(gains) on disposal of assets		2,057	320
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(50)	(90)
Increase/(decrease) in provision for doubtful debts		9	(227)
Decrease/(increase) in inventories		(73)	(5)
Decrease/(increase) in other assets		24	(46)
Increase/(decrease) in payables		(358)	(27)
Increase/(decrease) in other accrued expenses payable		94	325
Increase/(decrease) in other liabilities		894	170
Increase/(decrease) in employee leave entitlements		222	373
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>20,826</b>	<b>14,937</b>

## Strathfield Council

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

#### Note 14. Commitments for expenditure

\$ '000	2018	2017
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Plant and equipment	85	–
Books	8	–
Infrastructure assets	2,621	1,703
<b>Total commitments</b>	<b>2,714</b>	<b>1,703</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	2,714	1,703
<b>Total payable</b>	<b>2,714</b>	<b>1,703</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	8	–
Section 7.11 and 64 funds/reserves	2,621	1,703
Externally restricted reserves	85	–
<b>Total sources of funding</b>	<b>2,714</b>	<b>1,703</b>

#### Details of capital commitments

The council has committed to a new street sweeper, additional library books and recreational and open space renewal programs in 2017/18 which are expected to be completed in 2018/19.

#### (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	38	43
Later than one year and not later than 5 years	105	7
<b>Total non-cancellable operating lease commitments</b>	<b>143</b>	<b>50</b>

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

Computers & Photocopiers

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.

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 15. Contingencies and other assets/liabilities not recognised

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

##### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

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

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.

Member councils are treated as Pooled Employers for the purpose of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

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

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

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

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 15. Contingencies and other assets/liabilities not recognised (continued)

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

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$ 181,190 The last valuation of the scheme was performed by Mr Richard Boyfield FIAA (AFS Licence # 411770) on 12/12/17 and covers the period ended 30/06/17.

Council's expected contribution to the Fund for the next annual reporting period is \$224,181.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

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

Investment return	6.0% per annum
Salary inflation*	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution per annum 0.29% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub- group.

## Strathfield Council

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

#### Note 16. Financial risk management

\$ '000

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	21,554	41,288	21,554	41,288
Investments				
– 'Held to maturity'	32,000	17,000	32,000	17,000
Receivables	3,335	3,294	3,335	3,294
<b>Total financial assets</b>	<b>56,889</b>	<b>61,582</b>	<b>56,889</b>	<b>61,582</b>
<b>Financial liabilities</b>				
Bank overdraft	–	14	–	14
Payables	12,549	11,026	12,549	11,026
<b>Total financial liabilities</b>	<b>12,549</b>	<b>11,040</b>	<b>12,549</b>	<b>11,040</b>

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.



## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2018</b>				
Possible impact of a 0.25% movement in interest rates	134	134	(134)	(134)
<b>2017</b>				
Possible impact of a 0.25% movement in interest rates	150	150	(150)	(150)

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	53%	0%	61%
Overdue	100%	47%	100%	39%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>			<b>2018</b>	<b>2017</b>
<b>Rates and annual charges</b>				
< 1 year overdue			526	640
1 – 2 years overdue			28	24
2 – 5 years overdue			19	15
> 5 years overdue			20	16
			<b>593</b>	<b>695</b>
<b>Other receivables</b>				
Current			1,286	1,757
0 – 30 days overdue			101	397
31 – 60 days overdue			16	69
61 – 90 days overdue			1,128	156
> 91 days overdue			234	234
			<b>2,765</b>	<b>2,613</b>

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. 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	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
		≤ 1 Year	1 – 5 Years	> 5 Years		
<b>2018</b>						
Trade/other payables	7,881	4,668	–	–	12,549	12,549
<b>Total financial liabilities</b>	<b>7,881</b>	<b>4,668</b>	<b>–</b>	<b>–</b>	<b>12,549</b>	<b>12,549</b>
<b>2017</b>						
Bank overdraft	14	–	–	–	14	14
Trade/other payables	7,107	3,919	–	–	11,026	11,026
<b>Total financial liabilities</b>	<b>7,121</b>	<b>3,919</b>	<b>–</b>	<b>–</b>	<b>11,040</b>	<b>11,040</b>

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 02 May 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* -----		
<b>REVENUES</b>					
Rates and annual charges	26,740	27,654	914	3%	<b>F</b>
User charges and fees	5,821	5,384	(437)	(8%)	<b>U</b>
Interest and investment revenue	1,123	1,385	262	23%	<b>F</b>
Revenue received was up \$6.0 million on Budget. Section 94 contributions made up 70% of the increase \$4.2 million. The investment of these additional funds together with the timing of payments have resulted in extra interest earned.					
Other revenues	2,984	3,038	54	2%	<b>F</b>
Operating grants and contributions	2,902	3,019	117	4%	<b>F</b>
Capital grants and contributions	7,284	11,314	4,030	55%	<b>F</b>
Capital grants and contributions were up \$4.03 million due to increased section 94 funding.					

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 17. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>16,397</b>	<b>15,456</b>	<b>941</b>	6%	<b>F</b>
<b>Materials and contracts</b>	<b>5,180</b>	<b>7,616</b>	<b>(2,436)</b>	(47%)	<b>U</b>
An increase on budget of \$2.436 million is mainly due to a shift in expenditure to asset maintenance and also minor budget items coded in the original budget as other expenses instead of materials and contracts (see comment below).					
<b>Depreciation and amortisation</b>	<b>4,924</b>	<b>5,743</b>	<b>(819)</b>	(17%)	<b>U</b>
An increase on budget of \$0.82 million was mainly caused by the added depreciation of the additional assets built or purchased the year before.					
<b>Other expenses</b>	<b>12,948</b>	<b>8,658</b>	<b>4,290</b>	33%	<b>F</b>
The decrease on budget of \$4.29 million was mainly due to the recategorisation of some expense items from other expense to materials and contracts. Contributing to the favourable result was also better than expected utility bills.					
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>2,057</b>	<b>(2,057)</b>	0%	<b>U</b>
The budget variation was due to old practice of not budgeting for the disposals of infrastructure assets being renewed or replaced.					

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

<b>Cash flows from operating activities</b>	<b>12,556</b>	<b>20,826</b>	<b>8,270</b>	65.9%	<b>F</b>
The favourable increase on budget of \$8.27 million was predominantly due to increased section 94 funding received together with increases in rates and annual charges, user fees and charges and grants.					
<b>Cash flows from investing activities</b>	<b>(13,655)</b>	<b>(40,546)</b>	<b>(26,891)</b>	196.9%	<b>U</b>
The budget variation was due to the reinvestment of increased cashflow and placing the surplus funds in term deposits.					

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/18	–	–	4,177	4,177
Office Equipment	30/06/18	–	–	1,954	1,954
Operational Land	30/06/18	–	69,175	–	69,175
Community Land	30/06/17	–	–	44,385	44,385
Land Improvements depreciable	30/06/16	–	–	3,083	3,083
Park Assets	30/06/16	–	–	25,763	25,763
Buildings Non Specialised	30/06/18	–	6,117	–	6,117
Buildings Specialised	30/06/18	–	–	22,305	22,305
Roads	30/06/15	–	–	83,371	83,371
Bridges	30/06/15	–	–	4,478	4,478
Footpaths	30/06/15	–	–	25,557	25,557
Bulk Earthworks (non depreciable)	30/06/15	–	–	31,065	31,065
Stormwater Drainage	30/06/15	–	–	35,439	35,439
Library Books	30/06/16	–	–	381	381
Other	30/06/16	–	–	319	319
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>75,292</b>	<b>282,277</b>	<b>357,569</b>

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/13	—	—	3,929	3,929
Office Equipment	30/06/13	—	—	928	928
Operational Land	30/06/13	—	32,104	—	32,104
Community Land	30/06/17	—	—	44,385	44,385
Land Improvements depreciable	30/06/16	—	—	2,028	2,028
Park Assets	30/06/16	—	—	14,929	14,929
Buildings Non Specialised	30/06/13	—	3,675	—	3,675
Buildings Specialised	30/06/13	—	—	18,202	18,202
Roads	30/06/15	—	—	81,334	81,334
Bridges	30/06/15	—	—	4,529	4,529
Footpaths	30/06/15	—	—	24,684	24,684
Bulk Earthworks (non depreciable)	30/06/15	—	—	31,065	31,065
Stormwater Drainage	30/06/15	—	—	35,883	35,883
Library Books	30/06/16	—	—	377	377
Other	30/06/16	—	—	198	198
<b>Total infrastructure, property, plant and equipment</b>		<b>—</b>	<b>35,779</b>	<b>262,471</b>	<b>298,250</b>

## (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.

## Strathfield Council

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

#### Note 18. Fair value measurement (continued)

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

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

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

##### **Plant & Equipment, Office Equipment and Furniture & Fittings**

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

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##### **Operational Land**

The valuation of Council's operational land was undertaken at 30 June 2018 by an external valuation.

Operational land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price.

Since professional judgements were required to determine the inputs these assets were classified as having been valued using Level 2 valuation inputs. There has been no change to the valuation techniques during the reporting period.

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##### **Community Land**

Council's community land was valued based on the Land Value (LV) provided by the Valuer-General. Where the Valuer-General did not provide LV an average unit rate based on the LV for similar community land was used, having regard to the highest and best use for the land. The valuation of community land was undertaken as at 30 June 2017.

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##### **Land Under Roads**

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

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##### **Land Improvement - Depreciable**

This asset class comprises land improvements such as gardens, streetscaping and landscaping. These assets are located on parks and reserves. Valuations were performed by external valuers based of the information Supplied and professional judgement. There has been no change to the valuation process during the reporting period.

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##### **Park Assets**

Assets within this class have been valued by an external valuer at fair value comprising of Regional Sporting and Recreational Facilities and Playgrounds, Park Furniture and Fittings, Tennis Courts and Shelters.



## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Fair value measurement (continued)

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Recreational and Park Infrastructure (picnic tables, seats, bollards, fences, BBQ's, etc). Extensive professional judgement has been required to determine the final fair value of assets. Valuation of Council's Park Assets was undertaken as at 30 June 2016 by external valuer.

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##### **Buildings – Non Specialised and Specialised**

Council's buildings were valued utilising the cost approach by an external valuer in June 2018. The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence and other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 2 and 3 inputs. There has been no change to the valuation techniques during the reporting period.

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##### **Roads**

This asset class comprises the Road Carriageway, Suburb Markers and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based on calculations undertaken by our external valuation process as at June 2015.

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##### **Bridges**

Bridges were externally valued using the cost approach. The approach estimated the replacement cost for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. The components included the Bridge Deck/Superstructure, Bridge Abutments/Foundations and Bridge rails/handrails. Valuation of the Bridges was undertaken as at 30 June 2016.

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##### **Footpaths and Kerb & Gutter**

Footpaths and Kerb & Gutter were segmented to match the adjacent road segment where possible and no further componentisation was undertaken. Footpaths and Kerb & Gutter were originally mapped and the condition assessed based on a physical inspection. Condition information is updated as changes in the network are observed through regular inspections. Valuation of the Footpaths and Kerb & Gutter was undertaken as at June 2015.

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##### **Bulk Earthworks**

The 'Cost Approach' estimated the replacement cost for each asset, while the unit rates are support by the market rates. Valuation of the Earthworks was undertaken as at June 2015.

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##### **Stormwater Drainage**

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates

## Strathfield Council

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

#### Note 18. Fair value measurement (continued)

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based on linear metres of certain diameter pipes and prices per pit or similar could be supported through extensive professional judgement and market evidence. Valuation of the stormwater drainage was undertaken as at June 2015.

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##### **Library Books**

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amounts of these assets are assumed to approximate fair value due to the nature of the items. There has been no change to the valuation process during the reporting period.

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##### **Other Assets**

The cost approach is used to value other assets which relate to miscellaneous assets of lower value. Council views these assets against quoted prices for the gross current replacement cost of similar assets and taking account of the pattern of consumption, estimated remaining useful life and residual value. There has been no change to the valuation process during the reporting period.

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## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. 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 and equipment	Community land	Land Impr'mts (depreciable)	Total
<b>Opening balance – 1/7/16</b>	2,702	28,662	836	32,200
Transfers from/(to) another asset class	–	781	–	781
Purchases (GBV)	3,703	–	1,212	4,915
Disposals (WDV)	(572)	–	–	(572)
Depreciation and impairment	(976)	–	(20)	(996)
Other movement - Revaluation	–	14,942	–	14,942
<b>Closing balance – 30/6/17</b>	<b>4,857</b>	<b>44,385</b>	<b>2,028</b>	<b>51,270</b>
Purchases (GBV)	3,082	–	1,126	4,208
Disposals (WDV)	(604)	–	–	(604)
Depreciation and impairment	(1,204)	–	(71)	(1,275)
<b>Closing balance – 30/6/18</b>	<b>6,131</b>	<b>44,385</b>	<b>3,083</b>	<b>53,599</b>

	Specialised Buildings	Roads	Bridges	Footpaths	Total
<b>Opening balance – 1/7/16</b>	18,240	82,430	4,579	24,660	129,909
Purchases (GBV)	539	683	–	595	1,817
Disposals (WDV)	(54)	(73)	–	(151)	(278)
Depreciation and impairment	(523)	(1,706)	(50)	(420)	(2,699)
<b>Closing balance – 30/6/17</b>	<b>18,202</b>	<b>81,334</b>	<b>4,529</b>	<b>24,684</b>	<b>128,749</b>
Purchases (GBV)	1,117	4,169	–	1,979	7,265
Disposals (WDV)	(301)	(455)	–	(680)	(1,436)
Depreciation and impairment	(522)	(1,726)	(51)	(426)	(2,725)
Other movement - Revaluation	3,883	–	–	–	3,883
Other movement - Transfers	(74)	49	–	–	(25)
<b>Closing balance – 30/6/18</b>	<b>22,305</b>	<b>83,371</b>	<b>4,478</b>	<b>25,557</b>	<b>135,711</b>

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. 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)

	Bulk earthwork (Non Dep)	Storm water drainage	Library books	Park assets and other	Total
<b>Opening balance – 1/7/16</b>	31,065	36,411	326	11,638	79,440
Purchases (GBV)	–	–	153	4,663	4,816
Disposals (WDV)	–	–	–	(376)	(376)
Depreciation and impairment	–	(528)	(102)	(798)	(1,428)
<b>Closing balance – 30/6/17</b>	<b>31,065</b>	<b>35,883</b>	<b>377</b>	<b>15,127</b>	<b>82,452</b>
Purchases (GBV)	–	86	120	12,551	12,757
Disposals (WDV)	–	(2)	–	(643)	(645)
Depreciation and impairment	–	(528)	(116)	(978)	(1,622)
Other movement - Transfers	–	–	–	25	25
<b>Closing balance – 30/6/18</b>	<b>31,065</b>	<b>35,439</b>	<b>381</b>	<b>26,082</b>	<b>92,967</b>

**(5). Highest and best use**

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

## Strathfield Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. 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:

<b>Compensation:</b>	<b>2018</b>	<b>2017</b>
Short-term benefits	953	752
Post-employment benefits	71	54
Other long-term benefits	17	25
<b>Total</b>	<b>1,041</b>	<b>831</b>

##### b. Other transactions with KMP and their related parties

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

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. 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					
Parking	408	–	–	2	–	–	410	–
Community facilities	2,537	958	–	23	(756)	–	2,762	–
Roads and traffic facilities	11,449	1,721	–	102	(5,435)	–	7,837	–
Major open space	11,132	5,250	–	156	(12,370)	–	4,168	–
Local open space	2,678	2,461	–	39	(2,097)	–	3,081	–
Administration	501	174	–	4	–	–	679	–
<b>S7.11 contributions – under a plan</b>	<b>28,705</b>	<b>10,564</b>	<b>–</b>	<b>326</b>	<b>(20,658)</b>	<b>–</b>	<b>18,937</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>2,368</b>	<b>924</b>	<b>–</b>	<b>18</b>	<b>–</b>	<b>–</b>	<b>3,310</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>31,073</b>	<b>11,488</b>	<b>–</b>	<b>344</b>	<b>(20,658)</b>	<b>–</b>	<b>22,247</b>	<b>–</b>
S7.11 not under plans	855	–	–	5	–	–	860	–
<b>Total contributions</b>	<b>31,927</b>	<b>11,488</b>	<b>–</b>	<b>349</b>	<b>(20,658)</b>	<b>–</b>	<b>23,106</b>	<b>–</b>

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN 2010 - DIRECT

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					
Community facilities	2,537	958	–	23	(756)	–	2,762	–
Administration	501	174	–	4	–	–	679	–
Roads and traffic facilities	10,631	1,721	–	97	(5,435)	–	7,014	–
Major open space	11,123	5,250	–	156	(12,370)	–	4,159	–
Local open space	2,678	2,461	–	39	(2,097)	–	3,081	–
<b>Total</b>	<b>27,470</b>	<b>10,564</b>	<b>–</b>	<b>319</b>	<b>(20,658)</b>	<b>–</b>	<b>17,695</b>	<b>–</b>

## CONTRIBUTION PLAN 1993

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					
Parking	408	–	–	2	–	–	410	–
Roads and traffic facilities	818	–	–	5	–	–	823	–
Major open space	9	–	–	–	–	–	9	–
<b>Total</b>	<b>1,235</b>	<b>–</b>	<b>–</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>1,242</b>	<b>–</b>

## Strathfield Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Statement of developer contributions (continued)

\$ '000

## S7.12 LEVIES – UNDER A PLAN

## INDIRECT DEVELOPMENT CONTRIBUTIONS PLAN - 2010

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					
General levy	2,368	924	–	18	–	–	3,310	–
<b>Total</b>	<b>2,368</b>	<b>924</b>	<b>–</b>	<b>18</b>	<b>–</b>	<b>–</b>	<b>3,310</b>	<b>–</b>

## S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

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					
Parking	855	–	–	5	–	–	860	–
<b>Total</b>	<b>855</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>860</b>	<b>–</b>



## Strathfield Council

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

## Note 21(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>3,007</u>	<b>7.43%</b>	4.89%	1.29%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>40,480</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>37,461</u>	<b>72.33%</b>	73.45%	73.96%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>51,794</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>28,151</u>	<b>3.70x</b>	3.62x	3.36x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>7,608</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>8,750</u>	<b>0.00x</b>	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>–</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>647</u>	<b>2.24%</b>	3.02%	5.90%	5%
Rates, annual and extra charges collectible	<u>28,834</u>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>53,554</u>	<b>17.70 mths</b>	22.1 mths	21.0 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>3,026</u>				

## Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Notes 10 and 11.

<sup>(4)</sup> Refer to Note 10(b) and 11(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

**END OF AUDITED FINANCIAL STATEMENTS**

Strathfield Council

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

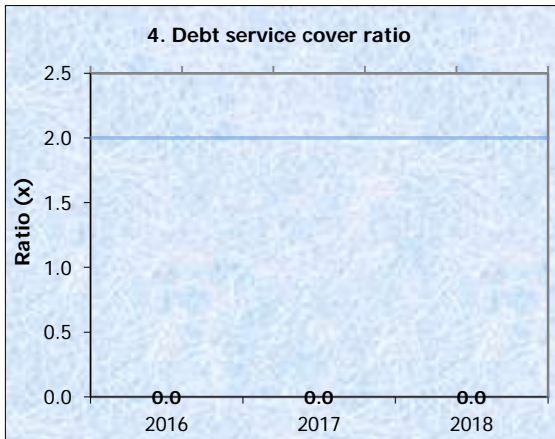
Note 21(b). Statement of performance measures – consolidated results (graphs)

<p><b>1. Operating performance ratio</b></p> <p>Ratio %</p> <p>2016 2017 2018</p>	<p><b>Purpose of operating performance ratio</b></p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 7.43%</b></p> <p>Council exceeded the minimum benchmark for the third year in a row now due to improved revenue and containment of expenses</p>
<p>Benchmark:  Minimum <math>\geq 0.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p> Ratio achieves benchmark  Ratio is outside benchmark</p>	
<p><b>2. Own source operating revenue ratio</b></p> <p>Ratio %</p> <p>2016 2017 2018</p>	<p><b>Purpose of own source operating revenue ratio</b></p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 72.33%</b></p> <p>Council has exceeded the benchmark of 60% for this KPI with a slight decline over the last three years.</p>
<p>Benchmark:  Minimum <math>\geq 60.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p> Ratio achieves benchmark  Ratio is outside benchmark</p>	
<p><b>3. Unrestricted current ratio</b></p> <p>Ratio (x)</p> <p>2016 2017 2018</p>	<p><b>Purpose of unrestricted current ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 3.70x</b></p> <p>Council has exceeded the benchmark of 1.5 X by more than double.</p>
<p>Benchmark:  Minimum <math>\geq 1.50</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p> Ratio achieves benchmark  Ratio is outside benchmark</p>	

Strathfield Council

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

Note 21(b). Statement of performance measures – consolidated results (graphs)



**Purpose of debt service cover ratio**

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

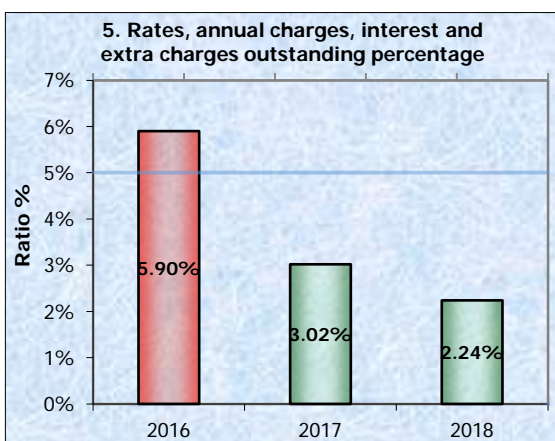
**Commentary on 2017/18 result**

**2017/18 ratio 0.00x**

Council has no debt

Benchmark: ——— Minimum  $\geq 2.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

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

**Commentary on 2017/18 result**

**2017/18 ratio 2.24%**

Council's KPI result shows further improvement on both prior years and is well below the bench mark set at a maximum of 5% due to improved recovery procedures.

Benchmark: ——— Maximum  $< 5.00\%$   
Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2017/18 result**

**2017/18 ratio 17.70 mths**

Council is well above the benchmark of the minimum 3 months cover due to a continued strong cash position.

Benchmark: ——— Minimum  $\geq 3.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark  
 Ratio is outside benchmark



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial report

#### Strathfield Council

To the Councillors of Strathfield Council

### Opinion

I have audited the accompanying financial report of Strathfield Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 17 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Renee Meimaroglou  
Director, Financial Audit Services

25 October 2018  
SYDNEY

Mr Gulian Vaccari  
Mayor  
Strathfield Council  
PO Box 120  
STRATHFIELD NSW 2135

Contact: Renee Meimaroglou  
Phone no: 9275 7100  
Our ref: D1825400/1789

25 October 2018

Dear Mayor

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





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

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

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

## **INCOME STATEMENT**

### **Operating result**

	<b>2018</b>	<b>2017</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
<b>Rates and annual charges revenue</b>	27.7	23.3	 18.9
<b>Grants and contributions revenue</b>	14.3	11.5	 24.3
<b>Operating result for the year</b>	12.3	8.9	 38.2
<b>Net operating result before capital amounts</b>	1.0	1.4	 28.6



Council's operating result (\$12.3 million including the effect of depreciation and amortisation expense of \$5.7 million) was \$3.4 million higher than the 2016–17 result. This was mainly a result of an increase in developer contributions.

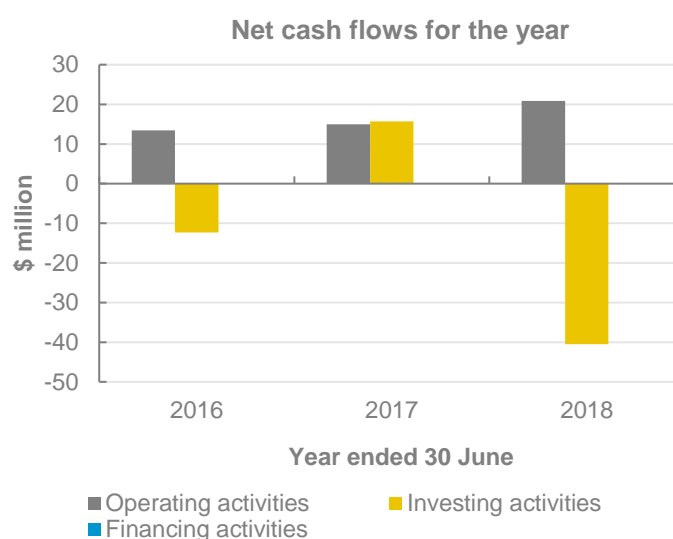
The net operating result before capital grants and contributions (\$950,000) was \$482,000 lower than the 2016–17 result. Contributing to the reduction was the write off of renewed components of infrastructure.

Rates and annual charges revenue (\$27.7 million) increased by \$4.4 million (18.9 per cent) in 2017–2018. The variance is due to an increases in the annual charge for domestic waste management services for 2017-18.

Grants and contributions revenue (\$14.3 million) increased by \$2.8 million (24.3 per cent) in 2017–2018 from increased developer contributions due to significant development activity in the area.

## STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by 48 percent to \$21.6 million as at 30 June 2018.
- The increase in operating activities is mostly due to the receipt of additional developer contributions.
- The variance in investing activities is due to increased capital expenditure and investing in longer term deposits during the year.



## FINANCIAL POSITION

### Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	29.0	38.1	• External restrictions include unspent specific purpose grants, developer contributions, and domestic waste and stormwater management charges.
Internal restrictions	13.0	14.2	
Unrestricted	11.6	6.0	
<b>Cash and investments</b>	<b>53.6</b>	<b>58.3</b>	<ul style="list-style-type: none"> <li>• Balances are internally restricted due to Council policy or decisions for forward plans including works program.</li> <li>• Unrestricted balances provide liquidity for day-to-day operations.</li> </ul>

### Debt

Council has been debt free since 2011.

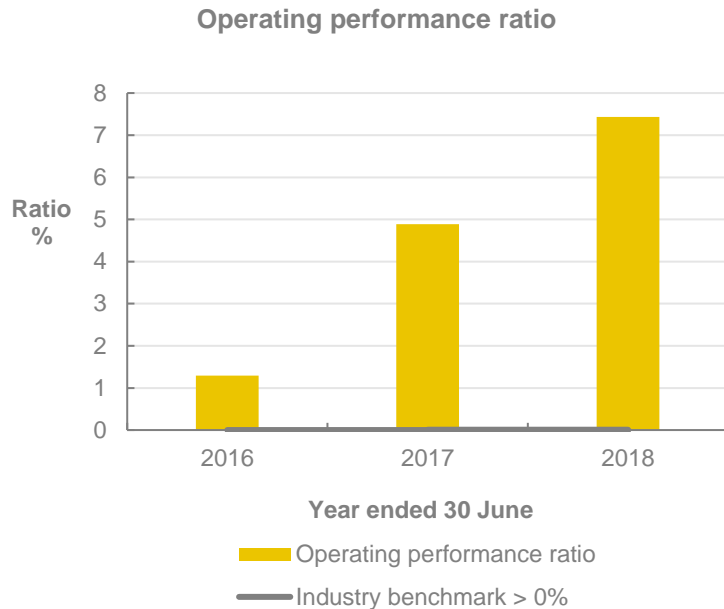
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 21 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

### Operating performance ratio

- The indicator of 7.4 per cent was above the industry benchmark.

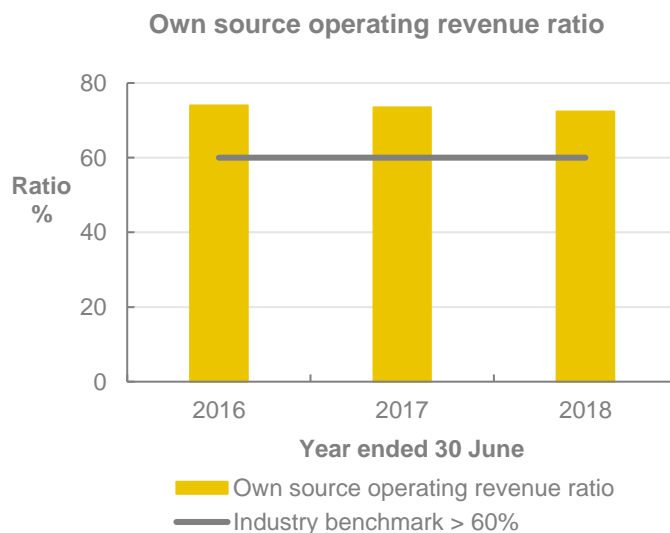
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



### Own source operating revenue ratio

- Council's own source operating revenue ratio of 72.3 per cent exceeded the industry benchmark.
- This indicator fluctuates with movements in grants and contributions.

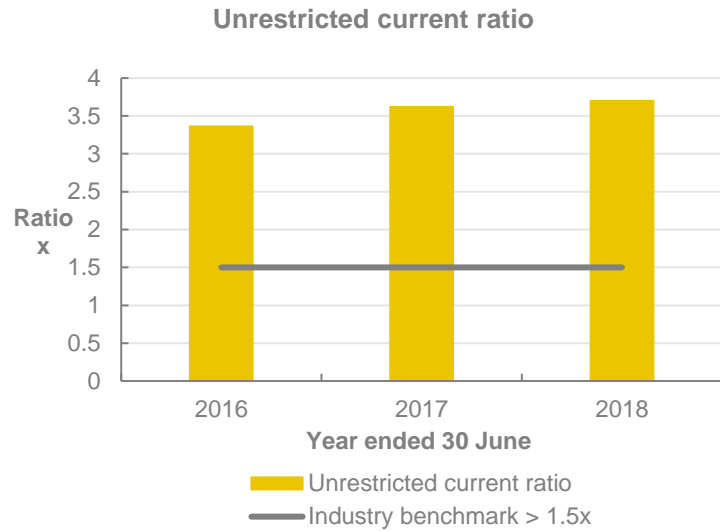
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

- This ratio indicated that Council currently had 3.7 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities. This exceeded the industry benchmark.

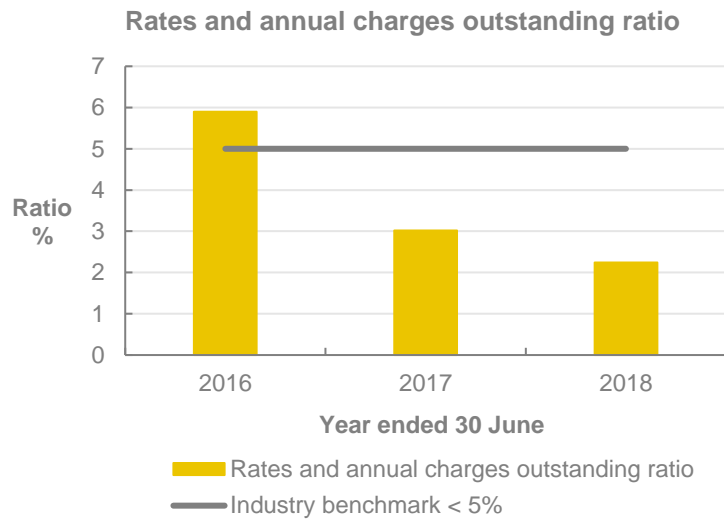
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Rates and annual charges outstanding ratio

- Council's outstanding rates and charges ratio of 2.2 per cent was within the industry benchmark.
- Management attribute the ongoing improvement in this ratio to their recovery efforts.

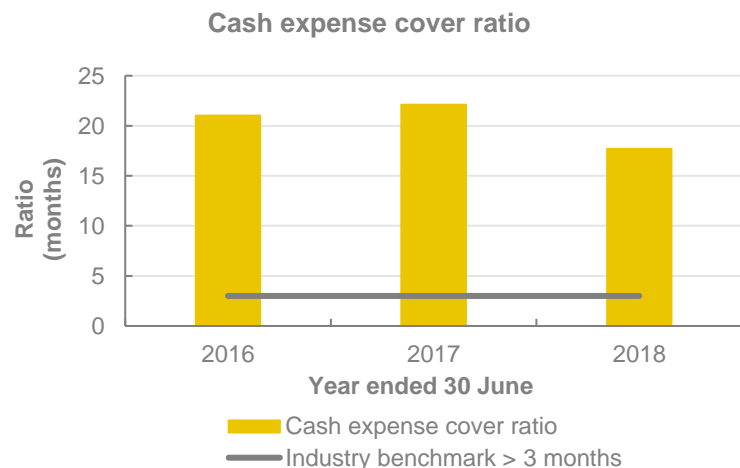
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



### Cash expense cover ratio

- Council's cash expense cover ratio of 17.7 months well exceeded the industry benchmark.

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

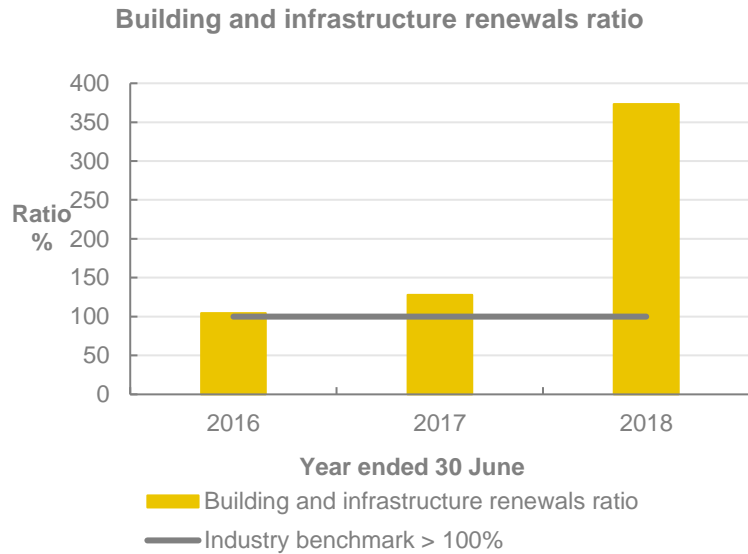


## Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio of 373.1 per cent exceeded the industry benchmark.
- The increase in this ratio for 2017-18 is due to the completion of an extensive renewals program particularly in respect to park and road assets.

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

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



## OTHER MATTERS

### Legislative compliance

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

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

Renee Meimaroglou  
Director, Financial Audit Services

cc: Mr Henry Wong, General Manager  
Mr Brian Hrnjak, Chair of the Audit Committee  
Mr Tim Hurst, Chief Executive of the Office of Local Government

# Strathfield Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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## Strathfield Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
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<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Other Business Activities	3
Statement of Financial Position – Other Business Activities	4
<b>3. Notes to the Special Purpose Financial Statements</b>	5
<b>4. Auditor’s Report</b>	9

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#### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Strathfield Municipal Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

### Statement by Councillors and Management

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

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

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

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

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

**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 02 October 2018.**





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Giulian Vaccari  
Mayor





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Nella Hall  
Councillor




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Henry Wong  
Chief Executive Officer




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Jenny Nascimento  
Responsible accounting officer

## Strathfield Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

Hudson Park  
Golf Course  
Category 2

\$ '000	2018	2017
<b>Income from continuing operations</b>		
User charges	1,092	669
Other income	40	31
<b>Total income from continuing operations</b>	<b>1,132</b>	<b>700</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	779	700
Materials and contracts	267	595
Depreciation, amortisation and impairment	131	69
Other expenses	120	7
<b>Total expenses from continuing operations</b>	<b>1,297</b>	<b>1,371</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(165)</b>	<b>(671)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(165)</b>	<b>(671)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(165)</b>	<b>(671)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(165)</b>	<b>(671)</b>
Plus opening retained profits	3,497	2,546
Add:		
– Subsidy paid/contribution to operations	–	1,622
<b>Closing retained profits</b>	<b>3,332</b>	<b>3,497</b>
<b>Return on capital %</b>	<b>-4.0%</b>	<b>-16.3%</b>
<b>Subsidy from Council</b>	<b>272</b>	<b>769</b>



## Strathfield Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

Hudson Park  
Golf Course  
Category 2

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1	1
Inventories	14	21
<b>Total Current Assets</b>	<b>15</b>	<b>22</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	4,075	4,125
<b>Total non-current assets</b>	<b>4,075</b>	<b>4,125</b>
<b>TOTAL ASSETS</b>	<b>4,090</b>	<b>4,147</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	33	24
Provisions	70	66
<b>Total current liabilities</b>	<b>103</b>	<b>90</b>
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>103</b>	<b>90</b>
<b>NET ASSETS</b>	<b>3,987</b>	<b>4,057</b>
<b>EQUITY</b>		
Accumulated surplus	3,332	3,497
Revaluation reserves	655	560
<b>TOTAL EQUITY</b>	<b>3,987</b>	<b>4,057</b>

## Strathfield Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6

## Strathfield Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies

---

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

#### Category 1

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

Nil

## Strathfield Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

---

##### Category 2

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

##### a. Hudson Park Golf Course

*An 18 hole public golf course*

##### Monetary amounts

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

##### (i) Taxation-equivalent charges

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

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

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

##### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

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

##### Income tax

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

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

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

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

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

## Strathfield Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

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

##### Local government rates and charges

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

##### Loan and debt guarantee fees

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

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

##### (ii) Subsidies

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

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

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

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

##### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

##### (iv) Dividends

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial report**  
**Strathfield Council**

To the Councillors of Strathfield Council

**Opinion**

I have audited the accompanying special purpose financial report (the financial report) of Strathfield Council's (the Council) Declared Business Activity, which comprise the Income Statement of the Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of the Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activity declared by Council, and the Statement by Councillors and Management.

The Declared Business Activity of the Council is:

- Hudson Park Golf Course

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

**Basis for Opinion**

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'R Meimaroglou', followed by a period.

Renee Meimaroglou  
Director, Financial Audit Services

25 October 2018  
SYDNEY



# Strathfield Council

SPECIAL SCHEDULES  
for the year ended 30 June 2018

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# Strathfield Council

## Special Schedules

for the year ended 30 June 2018

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

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#### Background

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

## Strathfield Council

Special Schedule 1 – Net Cost of Services  
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	471	–	–	(471)
<b>Administration</b>	4,983	1,665	–	(3,318)
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	672	–	–	(672)
Enforcement of local government regulations	1,458	2,040	–	582
Animal control	52	20	–	(32)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>2,182</b>	<b>2,060</b>	<b>–</b>	<b>(122)</b>
<b>Health</b>	<b>814</b>	<b>142</b>	<b>–</b>	<b>(672)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	25	31	–	6
Other environmental protection	1,450	363	–	(1,087)
Solid waste management	7,552	10,704	–	3,152
Street cleaning	768	50	–	(718)
Stormwater management	87	289	–	202
<b>Total environment</b>	<b>9,882</b>	<b>11,437</b>	<b>–</b>	<b>1,555</b>
<b>Community services and education</b>				
Administration and education	766	–	–	(766)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	215	198	–	(17)
Children's services	–	–	–	–
<b>Total community services and education</b>	<b>981</b>	<b>198</b>	<b>–</b>	<b>(783)</b>
<b>Housing and community amenities</b>				
Public conveniences	158	–	479	321
Street lighting	627	129	–	(498)
Town planning	1,607	174	–	(1,433)
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>2,392</b>	<b>303</b>	<b>479</b>	<b>(1,610)</b>

## Strathfield Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	1,691	151	–	(1,540)
Community centres and halls	1,429	53	479	(897)
Performing arts venues	–	–	–	–
Other cultural services	693	60	–	(633)
Sporting grounds and venues	1,492	48	3,856	2,412
Parks and gardens (lakes)	1,480	69	3,856	2,445
Other sport and recreation	1,859	1,173	–	(686)
<b>Total recreation and culture</b>	<b>8,644</b>	<b>1,554</b>	<b>8,190</b>	<b>1,100</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	2,785	1,083	–	(1,702)
<b>Total mining, manufacturing and const.</b>	<b>2,785</b>	<b>1,083</b>	–	<b>(1,702)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	2,191	883	1,721	413
Urban roads – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Parking areas	–	–	–	–
Footpaths	1,790	37	924	(829)
Other transport and communication	2,415	1,608	–	(807)
<b>Total transport and communication</b>	<b>6,396</b>	<b>2,528</b>	<b>2,645</b>	<b>(1,223)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	–	–	–	–
<b>Total economic affairs</b>	–	–	–	–
<b>Totals – functions</b>	<b>39,530</b>	<b>20,970</b>	<b>11,314</b>	<b>(7,246)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>19,510</b>		<b>19,510</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	–	–	–	–
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>39,530</b>	<b>40,480</b>	<b>11,314</b>	<b>12,264</b>

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

## Strathfield Council

## Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	17,187	16,707
Plus or minus adjustments <sup>(2)</sup>	b	404	35
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>17,591</b>	<b>16,742</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	405	251
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>17,996</b>	<b>16,993</b>
Plus (or minus) last year's carry forward total	l	(194)	–
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>(194)</b>	<b>–</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>17,802</b>	<b>16,993</b>
Less notional general income yield	p	17,404	17,187
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>398</b>	<b>(194)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	<b>t = q + r – s</b>	<b>398</b>	<b>(194)</b>

**Notes**

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule 2 - Permissible Income for general rates

#### Strathfield Council

To the Councillors of Strathfield Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Schedule**

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

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

### **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Renee Meimaroglou  
Director, Financial Audit Services

25 October 2018  
SYDNEY

## Strathfield Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Council Offices/ Administration Centres			382	194	9,765	13,459	50%	48%	2%	0%	0%
	Council Works Depot			302	439	2,298	3,048	59%	13%	28%	0%	0%
	Council Public Halls			157	240	1,489	2,295	58%	0%	42%		0%
	Libraries			35	36	7,453	9,016	100%				0%
	Cultural Facilities(Amenities)	269	269	233	239	4,620	11,203	16%	30%	33%	20%	1%
	Community Centre	51	51	986	1,284	2,407	5,484	1%		97%	2%	0%
	Council House			40	56	390	1,300			100%		0%
	Other			9	20							
	<b>Sub-total</b>	<b>320</b>	<b>320</b>	<b>2,144</b>	<b>2,508</b>	<b>28,422</b>	<b>45,805</b>	<b>45.2%</b>	<b>22.3%</b>	<b>27.1%</b>	<b>5.1%</b>	<b>0.2%</b>
<b>Roads</b>	Sealed roads	2,100	1,950	4,004	3,681	51,140	77,425	41%	33%	15%	11%	0%
	Bridges					4,478	14,227	12%	31%	57%	0%	0%
	Footpaths			294	508	25,558	34,896	28%	47%	25%	0%	0%
	Other road assets			117	90	8,403	12,024	24%	44%	32%	0%	0%
	Bulk earthworks					31,065	31,065	100%	0%	0%	0%	0%
	Kerb & Gutter			243	273	23,827	32,582	18%	81%	1%	0%	0%
	<b>Sub-total</b>	<b>2,100</b>	<b>1,950</b>	<b>4,658</b>	<b>4,552</b>	<b>144,471</b>	<b>202,219</b>	<b>41.1%</b>	<b>38.6%</b>	<b>16.1%</b>	<b>4.2%</b>	<b>0.0%</b>



## Strathfield Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater Conduits	100	100	92	38	31,045	51,331	25%	5%	60%	10%	0%
	Stormwater Inlet & Junction Pits	84	84	16	34	4,394	5,408	25%	33%	36%	6%	0%
	<b>Sub-total</b>	<b>184</b>	<b>184</b>	<b>108</b>	<b>72</b>	<b>35,439</b>	<b>56,739</b>	<b>25.0%</b>	<b>7.7%</b>	<b>57.7%</b>	<b>9.6%</b>	<b>0.0%</b>
Open space/recreational assets	Open spaces/Recreational Assets	200	200	3,348	3,427	25,763	34,085	53%	18%	27%	2%	0%
	<b>Sub-total</b>	<b>200</b>	<b>200</b>	<b>3,348</b>	<b>3,427</b>	<b>25,763</b>	<b>34,085</b>	<b>53.0%</b>	<b>18.0%</b>	<b>27.0%</b>	<b>2.0%</b>	<b>0.0%</b>
<b>TOTAL – ALL ASSETS</b>		<b>2,804</b>	<b>2,654</b>	<b>10,258</b>	<b>10,559</b>	<b>234,095</b>	<b>338,848</b>	<b>40.1%</b>	<b>29.1%</b>	<b>25.7%</b>	<b>5.0%</b>	<b>0.0%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Strathfield Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<b>16,061</b>	<b>373.08%</b>	127.85%	104.57%	>= 100%
Depreciation, amortisation and impairment	<b>4,305</b>				
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>2,804</b>	<b>1.18%</b>	1.49%	1.86%	< 2.00%
Net carrying amount of infrastructure assets	<b>237,178</b>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<b>10,559</b>	<b>102.93%</b>	115.25%	117.35%	> 100%
Required asset maintenance	<b>10,258</b>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>2,654</b>	<b>0.78%</b>	1.01%	1.09%	
Gross replacement cost	<b>338,848</b>				

## Notes

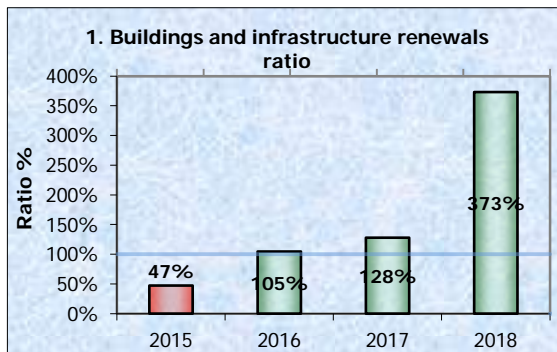
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

# Strathfield Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018



Benchmark: ——— Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26



**Purpose of asset renewals ratio**

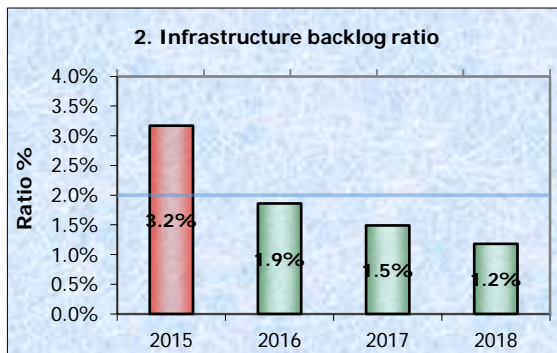
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

**Commentary on 2017/18 result**

**2017/18 Ratio 373.08%**

Assets renewals were focused on Recreational assets and Roads and Footpaths as priority in order to address prior years shortfall in investment in these assets

 Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: ——— Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26



**Purpose of infrastructure backlog ratio**

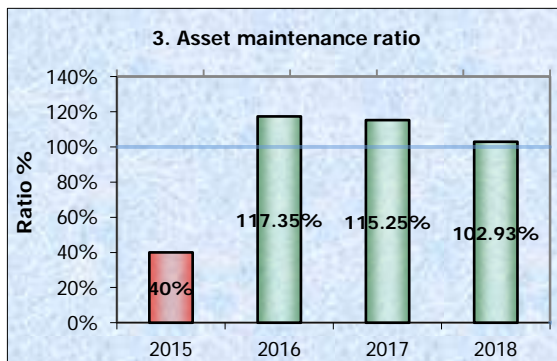
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

**Commentary on 2017/18 result**

**2017/18 Ratio 1.18%**

Council's strong spending on infrastructure over the last two years has seen a large decline in the backlog of works as it addressed the assets comprising the backlog area first.

 Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: ——— Minimum  $> 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26



**Purpose of asset maintenance ratio**

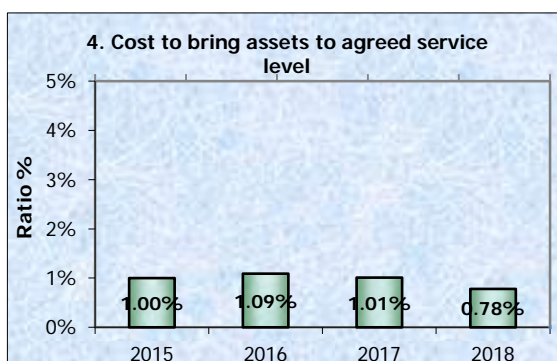
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

**Commentary on 2017/18 result**

**2017/18 Ratio 102.93%**

Council continues to meet this benchmark to ensure assets do not fall into disrepair in the future

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of agreed service level ratio**

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

**Commentary on 2017/18 result**

**2017/18 Ratio 0.78%**

Council meets this benchmark by meeting the annual maintenance budget schedule.