

Strathfield Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



Strathfield Council

General Purpose Financial Statements for the year ended 30 June 2019

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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.

Strathfield Council

General Purpose Financial Statements for the year ended 30 June 2019

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

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 Council

General Purpose Financial Statements for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 01 October 2019.



Antoine Doueih
Mayor
01 October 2019



Matthew Blackmore
Councillor
01 October 2019



Henry Wong
Chief Executive Officer
01 October 2019



Jenny Nascimento
Responsible Accounting Officer
01 October 2019

Strathfield Council

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Restated Actual ¹ 2018
Income from continuing operations				
Revenue:				
27,859	Rates and annual charges	3a	28,902	27,805
5,598	User charges and fees	3b	4,435	4,434
1,446	Interest and investment revenue	3c	1,428	1,385
3,646	Other revenues	3d	3,954	3,038
2,166	Grants and contributions provided for operating purposes	3e,f	3,151	2,868
10,450	Grants and contributions provided for capital purposes	3e,f	6,754	11,314
51,165	Total income from continuing operations		48,624	50,844
Expenses from continuing operations				
18,841	Employee benefits and on-costs	4a	15,491	15,456
7,487	Materials and contracts	4b	8,526	7,616
6,287	Depreciation and amortisation	4c	6,580	5,743
7,765	Other expenses	4d	8,427	8,658
–	Net losses from the disposal of assets	5	2,253	2,057
40,380	Total expenses from continuing operations		41,277	39,530
10,785	Operating result from continuing operations		7,347	11,314
10,785	Net operating result for the year		7,347	11,314
10,785	Net operating result attributable to Council		7,347	11,314
335	Net operating result for the year before grants and contributions provided for capital purposes		593	–

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*. Council has restated the 2018 comparatives due to a prior period error, please refer to Note 12 for further details .

Strathfield Council

Statement of Comprehensive Income
for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		7,347	11,314
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	–	42,590
Total items which will not be reclassified subsequently to the operating result		–	42,590
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		–	42,590
Total comprehensive income for the year		7,347	53,904
Total comprehensive income attributable to Council		7,347	53,904

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

Strathfield Council

Statement of Financial Position
as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 ¹	Restated 1 July 2017
ASSETS				
Current assets				
Cash and cash equivalents	6a	14,884	21,554	41,288
Investments	6b	30,000	32,000	17,000
Receivables	7	2,308	2,318	3,239
Inventories	8	90	210	137
Other	8	147	83	107
Total current assets		47,429	56,165	61,771
Non-current assets				
Receivables	7	222	1,366	1,354
Infrastructure, property, plant and equipment	9	378,364	360,472	299,123
Total non-current assets		378,586	361,838	300,477
TOTAL ASSETS		426,015	418,003	362,248
LIABILITIES				
Current liabilities				
Payables	10	12,950	12,549	11,026
Income received in advance	10	318	317	197
Provisions	11	4,065	3,841	3,617
Total current liabilities		17,333	16,707	14,854
Non-current liabilities				
Provisions	11	172	133	135
Total non-current liabilities		172	133	135
TOTAL LIABILITIES		17,505	16,840	14,989
Net assets		408,510	401,163	347,259
EQUITY				
Accumulated surplus	12	206,244	198,897	187,583
Revaluation reserves	12	202,266	202,266	159,676
Total equity		408,510	401,163	347,259

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

Strathfield Council

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019	IPP&E	Total equity	2018 ¹	IPP&E	Restated Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
Opening balance		198,897	202,266	401,163	186,284	159,676	345,960
Correction of prior period errors - Restated Balance 1 July 2017	12 (b)	–	–	–	1,299	–	1,299
Restated opening balance		198,897	202,266	401,163	187,583	159,676	347,259
Net operating result for the year prior to correction of errors and changes in accounting policies		7,347	–	7,347	12,264	–	12,264
Correction of prior period errors	12 (b)	–	–	–	(950)	–	(950)
Restated net operating result for the year		7,347	–	7,347	11,314	–	11,314
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	–	–	–	42,590	42,590
Other comprehensive income		–	–	–	–	42,590	42,590
Total comprehensive income (c&d)		7,347	–	7,347	11,314	42,590	53,904
Equity – balance at end of the reporting period		206,244	202,266	408,510	198,897	202,266	401,163

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

Strathfield Council

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
Receipts:				
27,890	Rates and annual charges		28,830	27,756
5,621	User charges and fees		4,973	4,927
1,429	Investment and interest revenue received		1,289	1,694
12,565	Grants and contributions		9,740	14,621
1,050	Bonds, deposits and retention amounts received		891	1,644
3,553	Other		6,986	6,493
Payments:				
(18,803)	Employee benefits and on-costs		(15,249)	(15,201)
(7,625)	Materials and contracts		(9,297)	(8,849)
(1,050)	Bonds, deposits and retention amounts refunded		–	(870)
(7,765)	Other		(11,135)	(11,389)
16,865	Net cash provided (or used in) operating activities	13b	17,028	20,826
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		38,000	34,000
809	Sale of infrastructure, property, plant and equipment		505	628
–	Compulsory land acquisition contribution		1,299	–
Payments:				
(1,000)	Purchase of investment securities		(36,000)	(49,000)
(17,461)	Purchase of infrastructure, property, plant and equipment		(27,502)	(26,174)
(17,652)	Net cash provided (or used in) investing activities		(23,698)	(40,546)
Cash flows from financing activities				
Nil				
(787)	Net increase/(decrease) in cash and cash equivalents		(6,670)	(19,720)
26,420	Plus: cash and cash equivalents – beginning of year	13a	21,554	41,274
25,633	Cash and cash equivalents – end of the year	13a	14,884	21,554
Additional Information:				
	plus: Investments on hand – end of year	6b	30,000	32,000
	Total cash, cash equivalents and investments		44,884	53,554

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 01/10/2019.

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

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

Basis of preparation

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

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

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following statements 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

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019. The new standards were AASB 9, AASB 15, AASB 16 and AASB 1058. There was no material impact from the adoption of any of these standards.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 12.

(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 2019

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

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables - refer 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 property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. Council does not have a consolidated fund, it only has one fund which is the General Fund.

(b) The Trust Fund

Council does not hold any monies in the Trust Fund.

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 30 June 2019 reporting periods (and which have not been early adopted by Council).

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 2019

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)	
	2019	Restated 2018	2019	2018	2019	Restated 2018	2019	2018	2019	Restated 2018
Governance	–	–	267	471	(267)	(471)	–	–	–	–
Administration	1,102	1,665	4,485	4,983	(3,383)	(3,318)	–	–	98,839	111,082
Public Order and Safety	2,303	2,060	3,375	2,182	(1,072)	(122)	–	–	38	38
Health	81	142	308	814	(227)	(672)	–	–	–	–
Environment	11,761	11,437	10,539	9,882	1,222	1,555	221	234	40,780	40,310
Community Services and Education	267	198	1,395	981	(1,128)	(783)	229	193	4,092	4,092
Housing and Community Amenities	577	782	2,101	2,392	(1,524)	(1,610)	132	–	6,526	6,121
Recreation and Culture	8,652	9,744	8,418	8,644	234	1,100	356	113	103,895	90,882
Mining, Manufacturing and Construction	846	1,083	1,585	2,785	(739)	(1,702)	–	–	–	–
Transport and Communication	2,278	4,223	8,804	6,396	(6,526)	(2,173)	747	591	171,845	165,478
General Purpose Income	20,757	19,510	–	–	20,757	19,510	1,211	1,077	–	–
Total functions and activities	48,624	50,844	41,277	39,530	7,347	11,314	2,896	2,208	426,015	418,003

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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.

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 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	12,091	12,113
Business	5,414	5,141
Less: pensioner rebates (mandatory)	(160)	(171)
Less: pensioner rebates (Council policy)	(16)	(36)
	17,329	17,047
Rates levied to ratepayers		
Pensioner rate subsidies received	88	94
Total ordinary rates	17,417	17,141
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	11,218	10,457
Stormwater management services	318	303
Section 611 charges	44	43
Less: pensioner rebates (mandatory)	(104)	(103)
Less: pensioner rebates (Council policy)	(48)	(93)
	11,428	10,607
Annual charges levied		
Pensioners' subsidies:		
– Domestic waste management	57	57
Total annual charges	11,485	10,664
TOTAL RATES AND ANNUAL CHARGES	28,902	27,805

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

Accounting policy for rates and annual charges

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

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

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

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

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services	2	3
Waste management services (non-domestic)	48	114
Total specific user charges	50	117
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	17	44
Planning and building regulation	665	946
Section 10.7 certificates (EP&A Act)	105	137
Section 603 certificates	46	61
Health act	79	142
Other	–	13
Total fees and charges – statutory/regulatory	912	1,343
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Community centres	163	171
Community services	40	30
Companion animals	14	20
Credit card service fee	36	41
Festivals and events	49	64
Fire and emergency services levy (FESL) implementation	–	6
Hoarding income	180	350
Hudson park golf course and driving range	954	1,050
Lease rentals and hall hire	70	52
Leaseback fees – Council vehicles	138	95
Library	27	26
Other property rentals	601	465
Park and sporting ground rents	433	112
Parking fees	55	31
Partial road closure	113	16
Pipeline charges	99	97
Privately funded works and anchor work permits	29	21
Road opening permits	89	71
Restoration charges	44	4
Awning Safety Works	54	–
Work zone parking and standing plant permits	252	198
Residential Parking Scheme	1	13
Other	32	41
Total fees and charges – other	3,473	2,974
TOTAL USER CHARGES AND FEES	4,435	4,434

Accounting policy for user charges and fees

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

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	44	58
– Cash and investments	1,319	1,327
– Deferred debtors	65	–
TOTAL INTEREST AND INVESTMENT REVENUE	1,428	1,385
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	44	58
General Council cash and investments	1,176	978
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	208	349
Total interest and investment revenue recognised	1,428	1,385

Accounting policy for interest and investment revenue

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

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

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(d) Other revenues		
Ex gratia rates	213	199
Fines – compliance and environmental	14	50
Fines – parking	2,138	1,977
Fines – other	16	14
Legal fees recovery – rates and charges (extra charges)	534	362
Legal fees recovery – other	38	38
Diesel rebate	33	35
Community Bus sponsorship	51	–
Insurance claims recoveries	4	–
Insurance incentives	85	73
Nursery sales	3	7
Other corporate income	97	87
Recycling income (non-domestic)	91	126
Utilities reimbursements	4	27
Bus Shelter Advertisement	170	–
Other- asset recognised for first time	415	–
Other	48	43
<u>TOTAL OTHER REVENUE</u>	<u>3,954</u>	<u>3,038</u>

Accounting policy for other revenue

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

Parking fees 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 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019 Operating	2018 Operating	2019 Capital	2018 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	473	850	–	–
Financial assistance – local roads component	150	284	–	–
Payment in advance – future year allocation				
Financial assistance – general component	490	–	–	–
Financial assistance – local roads component	156	–	–	–
Total general purpose	1,269	1,134	–	–
Specific purpose				
Aged care	167	162	–	–
Community care	62	31	–	–
Environmental programs	–	65	–	–
Heritage and cultural	4	–	–	–
Library	81	76	–	–
Library – per capita	30	37	–	–
Noxious weeds	32	31	–	–
Other – waste	132	81	–	–
Road safety	38	32	–	–
Recreation and culture	240	–	–	–
Street lighting	132	129	–	–
Transport (roads to recovery)	403	255	–	–
Transport (other roads and bridges funding)	168	175	–	–
Other - Transport Greater Sydney Commission	138	–	–	–
Total specific purpose	1,627	1,074	–	–
Total grants	2,896	2,208	–	–
Grant revenue is attributable to:				
– Commonwealth funding	1,868	1,549	–	–
– State funding	996	628	–	–
– Other funding	32	31	–	–
	2,896	2,208	–	–

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2019 Operating	2018 Operating	2019 Capital	2018 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		76	174	6,754	11,314
Total developer contributions – cash		76	174	6,754	11,314
Total developer contributions	21	76	174	6,754	11,314
Other contributions:					
Cash contributions					
Cooks river alliance		–	348	–	–
RMS contributions (regional roads, block grant)		179	138	–	–
Total other contributions – cash		179	486	–	–
Total other contributions		179	486	–	–
Total contributions		255	660	6,754	11,314
TOTAL GRANTS AND CONTRIBUTIONS		3,151	2,868	6,754	11,314

Accounting policy for grants and contributions

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

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

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

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

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

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

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	1,077	1,630
Add: operating grants recognised as income in the current period but not yet spent	926	918
Less: operating grants recognised in a previous reporting period now spent	(1,003)	(1,471)
Unexpended and held as restricted assets (operating grants)	<u>1,000</u>	<u>1,077</u>
Contributions		
Unexpended at the close of the previous reporting period	23,106	31,927
Add: contributions recognised as income in the current period but not yet spent	7,038	11,837
Less: contributions recognised in a previous reporting period now spent	(11,835)	(20,658)
Unexpended and held as restricted assets (contributions)	<u>18,309</u>	<u>23,106</u>

Strathfield Council

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

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	13,251	13,248
Employee termination costs (where material – other than vested leave paid)	69	406
Travel expenses	4	9
Employee leave entitlements (ELE)	3,635	2,973
Superannuation	1,671	1,545
Workers' compensation insurance	623	503
Fringe benefit tax (FBT)	130	112
Training costs (other than salaries and wages)	302	217
Other	16	28
Total employee costs	19,701	19,041
Less: capitalised costs	(4,210)	(3,585)
TOTAL EMPLOYEE COSTS EXPENSED	15,491	15,456
Number of 'full-time equivalent' employees (FTE) at year end	208	207

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 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(b) Materials and contracts		
Raw materials and consumables	4,234	3,521
Contractor and consultancy costs	1,544	1,524
– Contract relief staff	351	415
– Street and gutter cleaning	682	519
Auditors remuneration ⁽²⁾	143	91
Infringement notice contract costs (SEINS)	226	287
Legal expenses:		
– Legal expenses: planning and development	961	624
– Legal expenses: debt recovery	291	458
– Legal expenses: other	35	103
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	59	74
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>8,526</u>	<u>7,616</u>
Operating leases		
Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.		
1. Operating lease payments are attributable to:		
Computers	59	74
	<u>59</u>	<u>74</u>
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	78	67
Remuneration for audit and other assurance services	<u>78</u>	<u>67</u>
Total Auditor-General remuneration	<u>78</u>	<u>67</u>
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Internal audit	65	24
Remuneration for audit and other assurance services	<u>65</u>	<u>24</u>
Total remuneration of non NSW Auditor-General audit firms	<u>65</u>	<u>24</u>
Total Auditor remuneration	<u>143</u>	<u>91</u>

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(c) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		1,120	956
Office equipment		461	248
Land improvements (depreciable)		109	71
Infrastructure:			
– Buildings – non-specialised		97	121
– Buildings – specialised		408	522
– Roads		1,808	1,726
– Bridges		51	51
– Footpaths		437	426
– Stormwater drainage		525	528
– Other open space/recreational assets		1,372	931
Other assets:			
– Library books		119	116
– Other		73	47
Total depreciation and amortisation costs		6,580	5,743
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		<u>6,580</u>	<u>5,743</u>

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

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

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

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

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

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

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

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(d) Other expenses		
Advertising	230	126
Bad and doubtful debts	117	8
Bank charges	67	70
Cleaning	397	368
Contributions/levies to other levels of government		
– Department of planning levy	93	91
– Emergency services levy (includes FRNSW, SES, and RFS levies)	57	62
– NSW fire brigade levy	619	611
Councillor expenses – mayoral fee	43	44
Councillor expenses – councillors' fees	139	136
Councillors' expenses (incl. mayor) – other (excluding fees above)	34	45
Donations, contributions and assistance to other organisations (Section 356)	108	75
Election expenses	–	191
Electricity and heating	387	510
Fire and emergency services levy (FESL) implementation costs	–	15
Insurance	443	437
Office expenses (including computer expenses)	688	733
Postage	154	152
Printing and stationery	174	146
Security	54	35
Street lighting	660	627
Subscriptions, memberships and publications	134	169
Telephone and communications	332	195
Valuation fees	97	23
Waste disposal – tipping fees	3,365	3,227
Cooks River Alliance - End of Term	–	542
Other	35	20
<u>TOTAL OTHER EXPENSES</u>	<u>8,427</u>	<u>8,658</u>

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 2019

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

\$ '000	Notes	2019	2018
Plant and equipment	9		
Proceeds from disposal – plant and equipment		505	628
Less: carrying amount of plant and equipment assets sold/written off		(353)	(604)
Net gain/(loss) on disposal		152	24
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(2,405)	(1,780)
Net gain/(loss) on disposal		(2,405)	(1,780)
Investments	6b		
Proceeds from disposal/redemptions/maturities – investments		38,000	34,000
Less: carrying amount of investments sold/redeemed/matured		(38,000)	(34,000)
Net gain/(loss) on disposal		–	–
Other (land & building)			
Less: carrying amount of Other (land & building) assets sold/written off		–	(301)
Net gain/(loss) on disposal		–	(301)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,253)	(2,057)

Accounting policy for disposal of assets

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

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	845	1,399
Cash-equivalent assets		
– Deposits at call	6,039	10,155
– Short-term deposits	8,000	10,000
Total cash and cash equivalents	14,884	21,554

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 2019

Note 6(b). Investments

\$ '000	2019	2019	2018	2018
	Current	Non-current	Current	Non-current
Investments				
'Financial assets at amortised cost' / 'held to maturity' (2018)	30,000	–	32,000	–
Total investments	30,000	–	32,000	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>44,884</u>	<u>–</u>	<u>53,554</u>	<u>–</u>
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	30,000	–	32,000	–
Total	30,000	–	32,000	–

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

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

Financial Assets

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

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss
- fair value through other comprehensive income – equity instrument

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

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.

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

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 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	44,884	–	53,554	–
attributable to:				
External restrictions (refer below)	22,336	–	28,964	–
Internal restrictions (refer below)	13,148	–	13,009	–
Unrestricted	9,400	–	11,581	–
	44,884	–	53,554	–

\$ '000	2019		2018	
Details of restrictions				
External restrictions – other				
Developer contributions – general			18,309	23,106
Specific purpose unexpended grants			1,000	1,077
Domestic waste management			2,615	3,631
Stormwater management			412	1,150
External restrictions – other			22,336	28,964
Total external restrictions			22,336	28,964
Internal restrictions				
Plant and vehicle replacement			1,130	1,130
Employees leave entitlement			1,285	1,285
Carry over works			38	432
Deposits, retentions and bonds			8,773	7,880
Adshel (bus shelters)			270	270
Election			143	59
Future major expenditure			927	1,371
Parkscape improvements			29	29
Risk management			195	195
Technology			358	358
Total internal restrictions			13,148	13,009
TOTAL RESTRICTIONS			35,484	41,973

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	443	222	526	67
Interest and extra charges	56	–	54	–
User charges and fees	430	–	738	–
Accrued revenues				
– Interest on investments	297	–	160	–
– Other income accruals	285	–	207	–
Other - Compulsory land acquisition	–	–	–	1,299
Government grants and subsidies	203	–	38	–
Net GST receivable	485	–	533	–
Other debtors	141	–	85	–
Total	2,340	222	2,341	1,366
Less: provision for impairment				
User charges and fees	(32)	–	(23)	–
Total provision for impairment – receivables	(32)	–	(23)	–
<u>TOTAL NET RECEIVABLES</u>	<u>2,308</u>	<u>222</u>	<u>2,318</u>	<u>1,366</u>

There are no restrictions applicable to the above assets.

Movement in provision for impairment of receivables

	2019	2018
Balance at the beginning of the year (calculated in accordance with AASB 139)	23	14
Amount restated through opening retained earnings on adoption of AASB 9	23	–
+ new provisions recognised during the year	18	9
– amounts already provided for and written off this year	(8)	–
– amounts provided for but recovered during the year	(1)	–
Balance at the end of the year	32	23

Accounting policy for receivables**Recognition and measurement**

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

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

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

Impairment**Accounting policy under AASB 9 applicable from 1 July 2018**

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

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

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy under AASB 9 applicable from 1 July 2018 (continued)

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

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

The Council uses the presentation that a financial asset is in default when:

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 3 years past due, whichever occurs first.

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

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

Rates and annual charges outstanding are secured against the property.

Strathfield Council

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

Note 8. Inventories and other assets

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	90	–	210	–
Total inventories at cost	90	–	210	–
TOTAL INVENTORIES	90	–	210	–
(b) Other assets				
Prepayments	147	–	83	–
TOTAL OTHER ASSETS	147	–	83	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Accounting policy**Raw materials and stores, work in progress and finished goods**

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

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 2019

Note 9. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2018			Asset movements during the reporting period					as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Assets recognised for first time	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	2,903	–	2,903	–	1,159	–	–	–	4,062	–	4,062
Plant and equipment	7,369	3,192	4,177	–	2,113	(353)	(1,120)	–	8,538	3,723	4,815
Office equipment	3,798	1,844	1,954	–	2,043	–	(461)	–	5,841	2,305	3,536
Land:											
– Operational land	69,175	–	69,175	–	–	–	–	–	69,175	–	69,175
– Community land	44,385	–	44,385	–	–	–	–	–	44,385	–	44,385
Land improvements – depreciable	3,251	168	3,083	788	–	–	(109)	–	4,039	277	3,762
Infrastructure:											
– Buildings – non-specialised	8,698	2,581	6,117	–	405	–	(97)	–	9,103	2,678	6,425
– Buildings – specialised	37,107	14,802	22,305	720	4,594	(261)	(408)	415	43,026	15,661	27,365
– Roads	122,031	38,660	83,371	5,224	138	(938)	(1,808)	–	125,158	39,171	85,987
– Bridges	14,227	9,749	4,478	–	–	–	(51)	–	14,227	9,801	4,426
– Footpaths	34,896	9,339	25,557	2,195	362	(614)	(437)	–	36,585	9,521	27,064
– Bulk earthworks (non-depreciable)	31,065	–	31,065	–	–	–	–	–	31,065	–	31,065
– Stormwater drainage	56,739	21,300	35,439	357	312	(199)	(525)	–	57,065	21,680	35,385
– Open space/recreational assets	34,085	8,322	25,763	5,787	419	(393)	(1,372)	–	39,536	9,332	30,204
Other assets:											
– Library books	1,727	1,346	381	–	111	–	(119)	–	1,837	1,464	373
– Other	1,042	723	319	–	89	–	(73)	–	1,131	796	335
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	472,498	112,026	360,472	15,071	11,745	(2,758)	(6,580)	415	494,773	116,409	378,364

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 2019

Note 9. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the period 1 July 2017 to 30 June 2018						as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	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	Net carrying amount
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
Land:												
– 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
Infrastructure:												
– 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
– Other open space/recreational assets	22,948	8,019	14,929	8,972	3,362	(643)	(931)	74	–	34,085	8,322	25,763
Other assets:												
– 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
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	407,365	108,242	299,123	18,250	8,937	(2,685)	(5,743)	–	42,590	472,498	112,026	360,472

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 2019

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

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	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	Buildings	
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
Water and sewer assets		Stormwater assets	
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		
Transportation assets		Other infrastructure assets	
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.

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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	2019		2018	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	1,150	–	1,192	–
Goods and services – capital expenditure	2,027	–	2,714	–
Accrued expenses:				
– Salaries and wages	670	–	631	–
– Other expenditure accruals	331	–	131	–
Security bonds, deposits and retentions	8,772	–	7,881	–
Total payables	12,950	–	12,549	–
Income received in advance				
Payments received in advance	318	–	317	–
Total income received in advance	318	–	317	–
TOTAL PAYABLES AND BORROWINGS	13,268	–	12,866	–

(a) Payables and borrowings relating to restricted assets

Security bonds are held as Restricted Reserves see Note 6(c). There are no other restricted assets re payables.

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

\$ '000	2019	2018
(b) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	7,500	6,600
	<u>7,500</u>	<u>6,600</u>

\$ '000	2019	2018
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Credit cards/purchase cards	37	37
Total financing arrangements	<u>37</u>	<u>37</u>
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	37	37
Total undrawn financing arrangements	<u>37</u>	<u>37</u>

Accounting policy for payables and borrowings

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

The financial liabilities of the Council comprise trade payables.

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.

Strathfield Council

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

Note 11. Provisions

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	1,385	–	1,376	–
Sick leave	38	–	103	–
Long service leave	2,255	172	2,098	133
ELE on-costs	387	–	264	–
<u>TOTAL PROVISIONS</u>	<u>4,065</u>	<u>172</u>	<u>3,841</u>	<u>133</u>

(a) Provisions relating to restricted assets

There are no external restricted assets applicable to above provisions refer note 6(c).

\$ '000	2019	2018
(b) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	<u>2,079</u>	<u>2,499</u>
	<u>2,079</u>	<u>2,499</u>

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

On-costs

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

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

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

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

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

Nature of prior-period error

Council overstated its hoarding fees and charges raised for 2017/18 by \$0.950 million due to incorrectly raising invoices containing calculation errors which lead to incorrectly raising revenue receivable.

Council understated its income on land compulsorily acquired from council by RMS in 2015/16 by \$1.299 million. The land was disposed of in the correct year 2015/16 but the revenue was not accounted for in 2015/16 and was subsequently received in 2018/19.

The error identified above relating to 2015/16 has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus and revaluation reserve at that date.

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

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

	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Statement of Financial Position			
Assets excluding receivables	360,894	–	360,894
Receivables	55	1,299	1,354
Total Assets	360,949	1,299	362,248
Total Liabilities	14,989	–	14,989
Accumulated Surplus	186,284	1,299	187,583
Revaluation Reserves	159,676	–	159,676
Total equity	345,960	1,299	347,259

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000

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

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

	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Statement of Financial Position			
Assets excluding receivables	414,319	–	414,319
Receivables	3,335	349	3,684
Total assets	417,654	349	418,003
Total liabilities	16,840	–	16,840
Accumulated Surplus	198,548	349	198,897
Revaluation Reserves	202,266	–	202,266
Total equity	400,814	349	401,163
Income Statement			
Income excluding fees and charges	50,494	–	50,494
User fees and charges	1,300	(950)	350
Total income from continuing operations	51,794	(950)	50,844
Total expenses from continuing operations	39,530	–	39,530
Net operating result for the year	12,264	(950)	11,314
Statement of Comprehensive Income			
Net operating result for the year	12,264	(950)	11,314
Other comprehensive income	42,590	–	42,590
Total comprehensive income for the year	54,854	(950)	53,904

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000

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

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

The Council has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2017.

As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

– AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

– AASB 7 *Financial Instruments*: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

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

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

Impairment of financial assets

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

Adjustments to the current year figures for the year ended 30 June 2019

	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Statement of Financial Position			
Total assets	418,003	–	418,003
Total liabilities	16,840	–	16,840
Total equity	401,163	–	401,163

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Transition adjustments

The impacts to reserves and retained earnings on adoption of AASB 9 at 1 July 2018 are shown below:

\$ '000	Available for sale invest- ment revaluation reserve	FVOCI reserve	Retained earnings	Non- controlling interests	Total
Opening equity balances at 1 July 2018 – AASB 9	-	-	401,163	-	401,163

Transition adjustments

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

Class	Classification under AASB 139	Classification under AASB 9	Carrying amount under AASB 139 \$'000	Reclassifica- tion \$'000	Remeasu- rements \$'000	Carrying amount under AASB 9 \$'000
Financial assets						
Term Deposits	Held to Maturity	Amortised Cost	32,000	-	-	32,000
Trade and other receivables	Loans and receivables	Amortised Cost	3,684			3,684
Total financial assets under AASB 9 at 1 July 2018			35,684	-	-	35,684
Financial liabilities						
Trade Payables	Other Financial Liabilities	Other Financial Liabilities	12,866	-	-	12,866
Total financial liabilities under AASB 9 at 1 July			12,866	-	-	12,866

Notes to the table above

Reclassification from 'Loans and receivables' to 'amortised cost'

Trade and other receivables that would previously have been classified as 'loans and receivables' are now classified 'at amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and 'these' cash flows consist solely of payments of principal and interest on the principal amount outstanding. There 'was no difference between the previous carrying amount and the revised carrying amount of these assets.

Reclassification from 'held to maturity' to 'amortised cost'

Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	14,884	21,554
Less bank overdraft	13	–	–
Balance as per the Statement of Cash Flows		14,884	21,554
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		7,347	11,314
Adjust for non-cash items:			
Depreciation and amortisation		6,580	5,743
Net losses/(gains) on disposal of assets		2,253	2,057
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(154)	900
Increase/(decrease) in provision for impairment of receivables		9	9
Decrease/(increase) in inventories		120	(73)
Decrease/(increase) in other current assets		(64)	24
Increase/(decrease) in payables		(42)	(358)
Increase/(decrease) in other accrued expenses payable		239	94
Increase/(decrease) in other liabilities		892	894
Increase/(decrease) in provision for employee benefits		263	222
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		17,028	20,826

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Commitments

\$ '000	2019	2018
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	68	85
Books	–	8
Land Improvements	128	–
Infrastructure assets	3,595	2,621
Total commitments	3,791	2,714
These expenditures are payable as follows:		
Within the next year	3,791	2,714
Total payable	3,791	2,714
Sources for funding of capital commitments:		
Unrestricted general funds	224	8
Section 7.11 and 64 funds/reserves	3,567	2,621
Externally restricted reserves	–	85
Total sources of funding	3,791	2,714
Details of capital commitments		
The council has committed to street tree planting, completion of cctv roll out, development of the Hudson District Park and completion of the renewal of building facilities in open spaces and also finishing road works commenced in 18/19.		
(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	32	38
Later than one year and not later than 5 years	73	105
Total non-cancellable operating lease commitments	105	143
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 2019

Note 15. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit plans

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

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

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

Description of the funding arrangements

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

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

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

The additional lump sum contribution for each pooled employer is a share of the total additional contributions of \$40M per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit plans (continued)

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan.

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

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

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

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2019 was \$195,075. The last valuation of the Scheme was performed by Mr Richard Boyfield FIAA (AFS Licence #411770) on 31 December 2018, it covers the year ended 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$195,075. Council's expected contribution to the plan for the next annual reporting period is \$249,668.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$271,800 as at 30 June 2019.

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

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

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

* Plus promotional increases

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

Strathfield Council

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

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

Strathfield Council

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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.

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

	Carrying value		Fair value	
	2019 \$'000	Restated 2018 \$'000	2019 \$'000	Restated 2018 \$'000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	14,884	21,554	14,884	21,554
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	30,000	32,000	30,000	32,000
Receivables (excluding GST receivable)	2,045	3,151	2,013	3,128
Total financial assets	46,929	56,705	46,897	56,682
Financial liabilities				
Payables	12,950	12,549	12,950	12,549
Total financial liabilities	12,950	12,549	12,950	12,549

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 2019

Note 16. Financial risk management (continued)

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

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

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

The risks associated with the instruments held are:

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 0.25% movement in interest rates	120	120	(120)	(120)
2018 - Restated				
Possible impact of a 0.25% movement in interest rates	134	134	(134)	(134)

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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.

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 – 2 years overdue	2 – 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	443	174	11	37	665
2018 Restated						
Gross carrying amount	–	526	28	19	20	593

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management (continued)

\$ '000

(b) Credit risk (continued)

Receivables – non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 – 30 days overdue	31 – 60 days overdue	61 – 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	83	1,338	193	–	283	1,897
Expected loss rate (%)	0.00%	0.00%	0.00%	–	11.30%	
ECL provision	–	–	–	–	32	32
2018 Restated						
Gross carrying amount	1,635	101	16	1,128	234	3,114
Expected loss rate (%)	–	–	–	–	9.80%	
ECL provision	–	–	–	–	23	23

Strathfield Council

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

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.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2019							
Trade/other payables		8,772	4,178	-	-	12,950	12,950
Total financial liabilities		8,772	4,178	-	-	12,950	12,950
2018 Restated							
Trade/other payables		7,881	4,668	-	-	12,549	12,549
Total financial liabilities		7,881	4,668	-	-	12,549	12,549

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Material budget variations

\$ '000

Council's original financial budget for 18/19 was adopted by the Council on 06 June 2018 and is not required to be audited.

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

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

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance* -----		
REVENUES					
Rates and annual charges	27,859	28,902	1,043	4%	F
User charges and fees	5,598	4,435	(1,163)	(21%)	U
The decrease on budget was mainly due to a decrease on Golf Course fees as the Golf Course was only operational 9 months, also a drop in Development Application related fees, Hoarding fees and Work zone permits all due to a slow down in developments in Strathfield. Some minor decreases were also observed in Sportfield hire due to unavailability during capital works and a decrease in extra waste services requested.					
Interest and investment revenue	1,446	1,428	(18)	(1%)	U
Other revenues	3,646	3,954	308	8%	F
Operating grants and contributions	2,166	3,151	985	45%	F
The increase in income over budget was mainly due to 50% of the financial assistance grant (FAGs) for 2019/20 being received in June 2019, additional Blackspot grant funds and open space recreational grants not originally budgetted for due to the uncertainty of obtaining the funds.					
Capital grants and contributions	10,450	6,754	(3,696)	(35%)	U
The decrease in income is due to lower than expected Section 7.11 contributions budgetted for.					

Strathfield Council

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

Note 17. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 Variance*		
EXPENSES					
Employee benefits and on-costs	18,841	15,491	3,350	18%	F
The lower than budget variation is mainly due to capitalised wages and salaries not budgetted for in the original budget.					
Materials and contracts	7,487	8,526	(1,039)	(14%)	U
The budget variation is due to legal fees and contracts entered into not in the original budget estimates.					
Depreciation and amortisation	6,287	6,580	(293)	(5%)	U
Other expenses	7,765	8,427	(662)	(9%)	U
Net losses from disposal of assets	–	2,253	(2,253)	0%	U
The budget variation is due to projected loss on disposal of assets not in the original budget.					

STATEMENT OF CASH FLOWS

Cash flows from operating activities	16,865	17,028	163	1.0%	F
Cash flows from investing activities	(17,652)	(23,698)	(6,046)	34.3%	U
The budget variation was due to additional works provided in quarterly budget reviews.					

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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:

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/19	–	–	4,815	4,815
Office Equipment	30/06/19	–	–	3,536	3,536
Operational Land	30/06/18	–	69,175	–	69,175
Community Land	30/06/17	–	–	44,385	44,385
Land Improvements depreciable	30/06/16	–	–	3,762	3,762
Open Space/Recreational Assets	30/06/16	–	–	30,204	30,204
Buildings Non Specialised	30/06/18	–	6,425	–	6,425
Buildings Specialised	30/06/18	–	–	27,365	27,365
Roads	30/06/15	–	–	85,987	85,987
Bridges	30/06/15	–	–	4,426	4,426
Footpaths	30/06/15	–	–	27,064	27,064
Bulk Earthworks (non depreciable)	30/06/15	–	–	31,065	31,065
Stormwater Drainage	30/06/15	–	–	35,385	35,385
Library Books	30/06/16	–	–	374	374
Other	30/06/16	–	–	335	335
Total infrastructure, property, plant and equipment		–	75,600	298,703	374,303

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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)

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	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
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
Open Space/Recreational 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
Total infrastructure, property, plant and equipment		–	75,292	282,277	357,569

(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 2019

Note 18. Fair value measurement (continued)

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

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

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

Plant & Equipment, Office Equipment and Furniture & Fittings

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

Operational Land

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

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.

Land Under Roads

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

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.

Open Space/Recreational 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 2019

Note 18. Fair value measurement (continued)

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.

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.

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.

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.

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.

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.

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 2019

Note 18. Fair value measurement (continued)

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.

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.

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.

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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
Opening balance – 1/7/17	4,857	44,385	2,028	51,270
Purchases (GBV)	3,082	–	1,126	4,208
Disposals (WDV)	(604)	–	–	(604)
Depreciation and impairment	(1,204)	–	(71)	(1,275)
Closing balance – 30/6/18	6,131	44,385	3,083	53,599
Purchases (GBV)	4,156	–	788	4,944
Disposals (WDV)	(353)	–	–	(353)
Depreciation and impairment	(1,583)	–	(109)	(1,692)
Closing balance – 30/6/19	8,351	44,385	3,762	56,498

	Specialised Buildings	Roads	Bridges	Footpaths	Total
Opening balance – 1/7/17	18,202	81,334	4,529	24,684	128,749
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)
Closing balance – 30/6/18	22,305	83,371	4,478	25,557	135,711
Purchases (GBV)	5,314	5,362	–	2,557	13,233
Disposals (WDV)	(261)	(938)	–	(614)	(1,813)
Depreciation and impairment	(408)	(1,808)	(52)	(436)	(2,704)
Other movement - Revaluation	415	–	–	–	415
Closing balance – 30/6/19	27,365	85,987	4,426	27,064	144,842

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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	Open Space/ Recreational and other	Total
Opening balance – 1/7/17	31,065	35,883	377	15,127	82,452
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
Closing balance – 30/6/18	31,065	35,439	381	26,082	92,967
Purchases (GBV)	–	669	111	6,295	7,075
Disposals (WDV)	–	(199)	–	(393)	(592)
Depreciation and impairment	–	(524)	(118)	(1,445)	(2,087)
Closing balance – 30/6/19	31,065	35,385	374	30,539	97,363

(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 2019

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:

Compensation:	2019	2018
Short-term benefits	1,345	953
Post-employment benefits	104	71
Other long-term benefits	162	17
Total	1,611	1,041

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.

Note 20. Events Occurring after the reporting date

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

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	410	–	–	2	–	–	412	–
Community facilities	2,762	518	–	21	(920)	–	2,381	–
Roads and traffic facilities	7,837	659	–	61	(3,718)	–	4,839	–
Major open space	4,168	3,175	–	67	(6,153)	–	1,257	–
Local open space	3,081	1,283	–	27	(1,044)	–	3,347	–
Administration	679	76	–	4	–	–	759	–
S7.11 contributions – under a plan	18,937	5,711	–	182	(11,835)	–	12,995	–
S7.12 levies – under a plan	3,310	1,119	–	22	–	–	4,451	–
Total S7.11 and S7.12 revenue under plans	22,247	6,830	–	204	(11,835)	–	17,446	–
S7.11 not under plans	860	–	–	4	–	–	864	–
Total contributions	23,106	6,830	–	208	(11,835)	–	18,309	–

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions

\$ '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	2,762	518	–	21	(920)	–	2,381	
Administration	679	76	–	4	–	–	759	
Roads and traffic facilities	7,014	659	–	57	(3,718)	–	4,012	
Major open space	4,159	3,175	–	67	(6,153)	–	1,248	
Local open space	3,081	1,283	–	27	(1,044)	–	3,347	
Total	17,695	5,711	–	176	(11,835)	–	11,747	–

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	410	–	–	2	–	–	412	
Roads and traffic facilities	823	–	–	4	–	–	827	
Major open space	9	–	–	–	–	–	9	
Total	1,242	–	–	6	–	–	1,248	–

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions

\$ '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	3,310	1,119	–	22	–	–	4,451	
Total	3,310	1,119	–	22	–	–	4,451	–

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	860	–	–	4	–	–	864	
Total	860	–	–	4	–	–	864	–

Strathfield Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses ⁽²⁾	<u>2,846</u>	6.80%	5.20%	4.89%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>41,870</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>38,574</u>	79.33%	71.81%	73.45%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>48,624</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions	<u>25,093</u>	3.24x	3.58x	3.62x	> 1.5x
Current liabilities less specific purpose liabilities	<u>7,754</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>9,426</u>	0.00x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>-</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>721</u>	2.40%	2.24%	3.02%	< 5% Metro < 10% Regional & Rural
Rates, annual and extra charges collectible	<u>29,982</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>44,884</u>	15.10 mths	17.7 mths	22.1 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>2,973</u>				

Notes

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

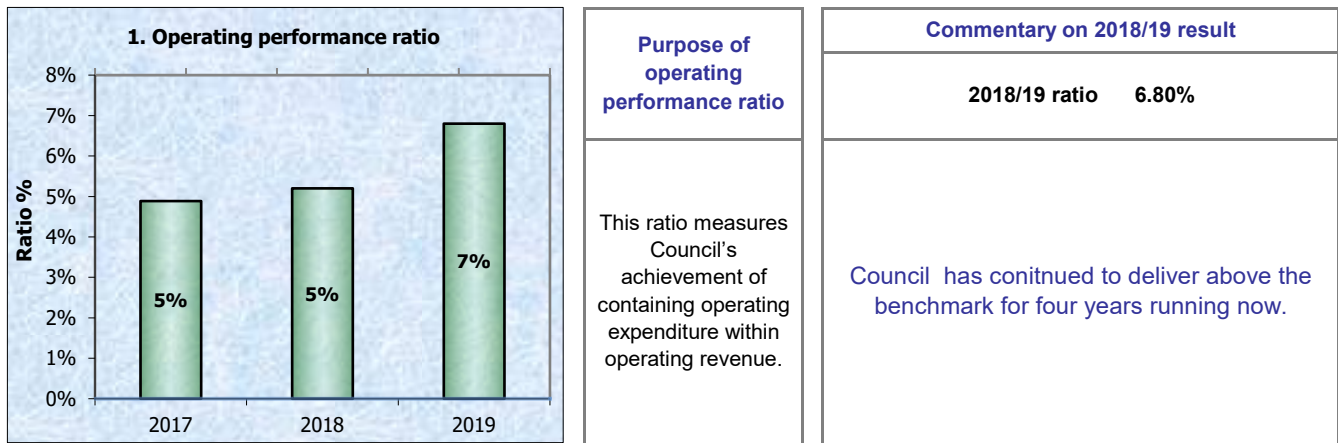
⁽²⁾ Excludes impairment/revaluation decrements, net loss on sale of assets and the net loss on share of interests in joint ventures and associates.

END OF AUDITED FINANCIAL STATEMENTS

Strathfield Council

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

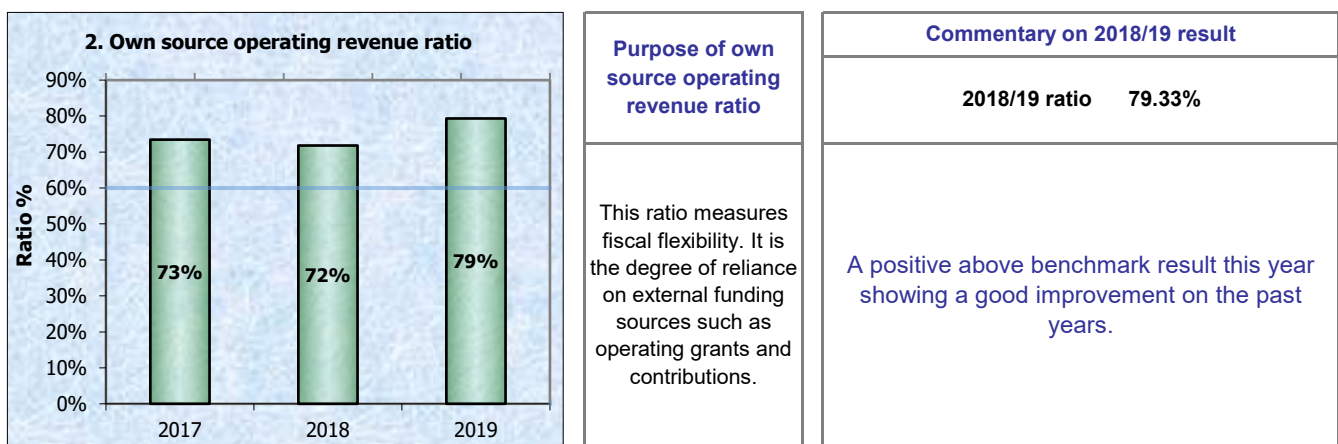
Note 22(b). Statement of performance measures – consolidated results (graphs)



Benchmark: Minimum $\geq 0.00\%$

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

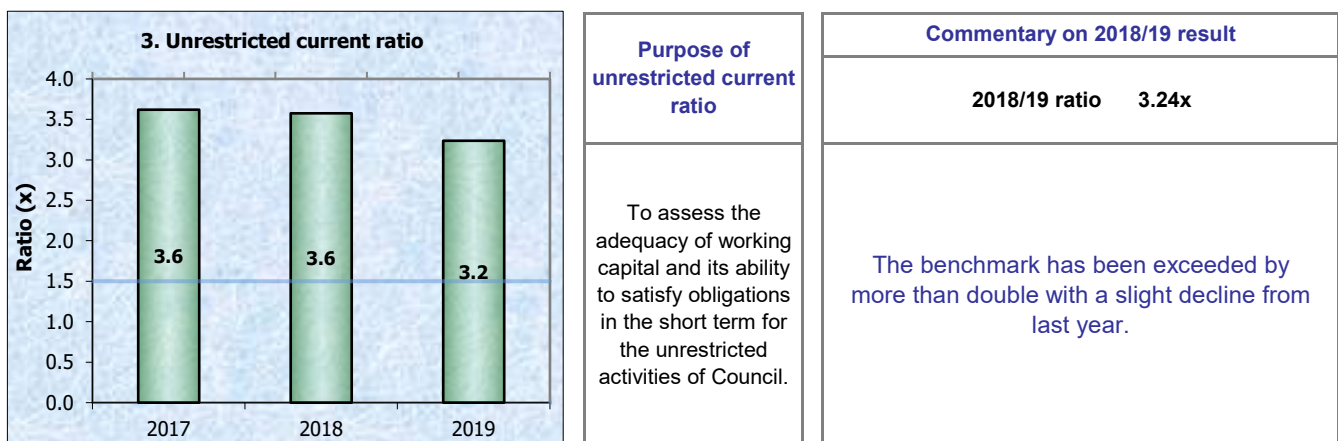
Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: Minimum $\geq 60.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: Minimum ≥ 1.50

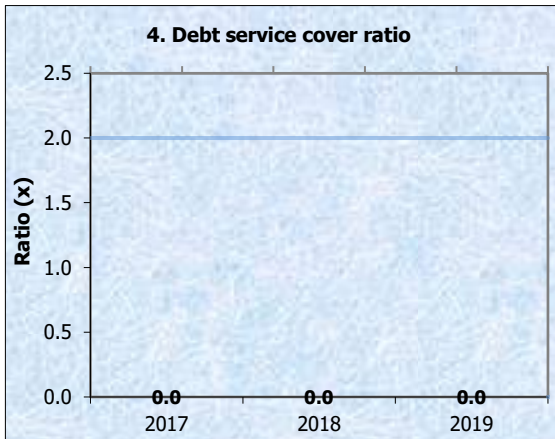
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
 Ratio is outside benchmark

Strathfield Council

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

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



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

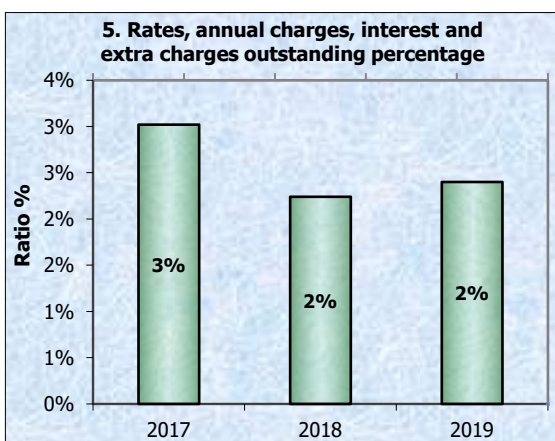
2018/19 ratio 0.00x

Council has no debt.

Benchmark: ——— Minimum >=2.00

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

Ratio achieves benchmark
 Ratio is outside benchmark



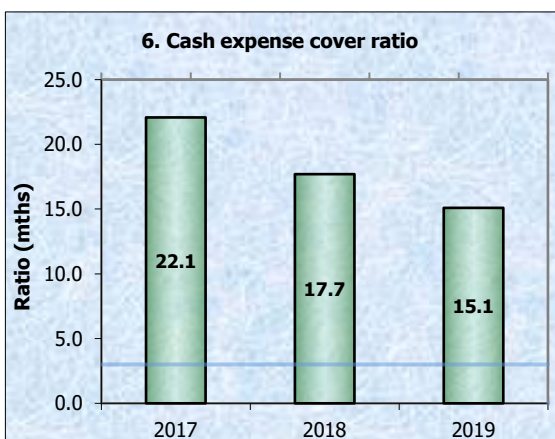
Purpose of rates and annual charges outstanding ratio

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

Commentary on 2018/19 result

2018/19 ratio 2.40%

Council's result is slightly higher than the past year at 2.4% v's 2.24% however it still bettered the benchmark of 5%.



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 2018/19 result

2018/19 ratio 15.10 mths

Council continues in a strong cash position exceeding the bench mark of a minimum of 3 months though slightly lower on prior year. The decline is due to the large amount of capital works carried out over the last 2 years.

Benchmark: ——— Minimum >=3.00

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

Ratio achieves benchmark
 Ratio is outside benchmark

Strathfield Council

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

Note 23. Council information and contact details

Principal place of business:

65 Homebush Rd
Strathfield NSW 2135

Contact details**Mailing address:**

PO Box 120
Strathfield NSW 2135

Opening hours:

Monday - Friday 8.30am - 5.00pm

Telephone: (02) 9748 9999

Facsimile: (02) 9764 1034.

Internet: www.strathfield.nsw.gov.au

Email: council@strathfield.nsw.gov.au

Officers**GENERAL MANAGER**

Henry Wong

RESPONSIBLE ACCOUNTING OFFICER

Jenny Nascimento

PUBLIC OFFICER

Geoff Baker

AUDITORS

Audit Office NSW

Level 15, Margaret Street , Sydney, NSW 2000

Elected members**MAYOR**

Antoine Doueihy

COUNCILLORS

Gulian Vaccari

Nella Hall

Karen Pensabene

Maryanne Duggan

Stephanie Kokkolis

Matthew Blackmore

Antoine Doueihy

Other information

ABN: 52 719 940 263



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Strathfield Council

To the Councillors of the Strathfield Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Reiky Jiang
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

2 October 2019
SYDNEY



Antoine Doueih
 Mayor
 Strathfield Council
 PO Box 120
 STRATHFIELD NSW 2135

Contact: Reiky Jiang
 Phone no: 9275 7281
 Our ref: D1923392/ 1789

2 October 2019

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2019
 Strathfield Council**

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

I expressed an unmodified opinion on the Council's GPFS.

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

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	28.9	27.8	↑ 4.0
Grants and contributions revenue	9.9	14.2	↓ 30.3
Operating result for the year	7.3	11.3	↓ 35.4
Net operating result before capital grants and contributions	0.6	0.0	↑ 100

Council's operating result (\$7.3 million including the effect of depreciation and amortisation expense of \$6.6 million) was \$4.0 million lower than the 2017–18 result. This is mainly as a result of decreased developer contribution revenue.

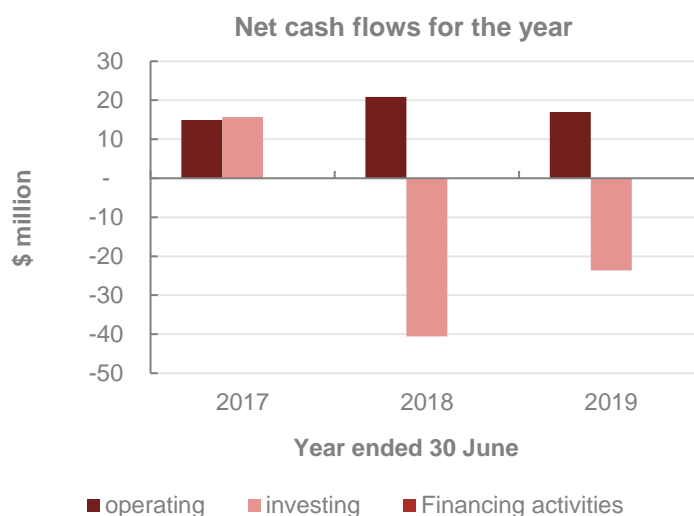
The net operating result before capital grants and contributions was \$0.6 million higher than the 2017–18 result.

Rates and annual charges revenue (\$28.9 million) increased by \$1.1 million (or 4.0 per cent) in 2018–2019. The variance is due to an increase in the annual charge for domestic waste management services.

Grants and contributions revenue (\$9.9 million) decreased by \$4.3 million (or 30.3 per cent) in 2018–2019 due to \$4.6 million less developer contributions received in 2018–19.

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. It reveals that cash decreased by 31 per cent to \$14.9 million as at 30 June 2019.
- The decrease in operating activities is mostly due to the receipt of less developer contributions.
- The increase in investing activities is due to less investment in term deposits during the year.



FINANCIAL POSITION

Cash and investments

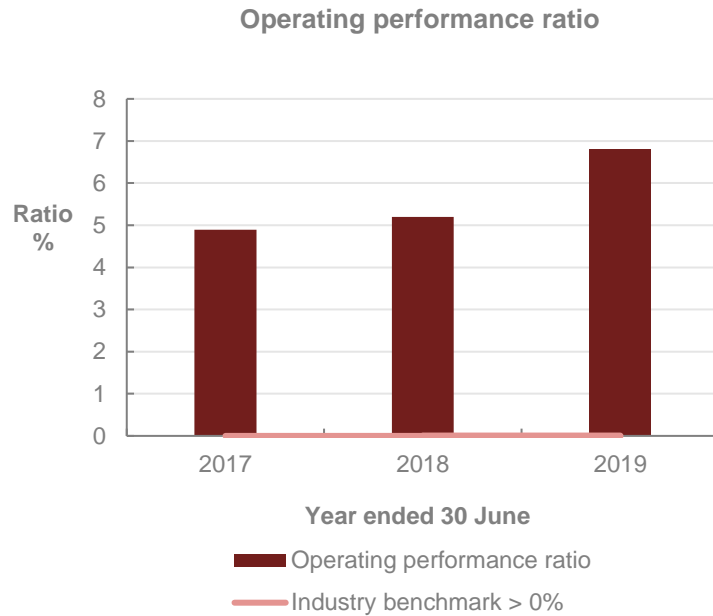
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	22.3	29.0	<ul style="list-style-type: none"> • External restrictions include unspent specific purpose grants, developer contributions, and domestic waste and stormwater management charges. The reduction in externally restricted cash and investments is mainly due to the decrease in developer contributions. • Balances are internally restricted due to Council policy or decisions for forward plans including works program. • Unrestricted balances provide liquidity for day-today operations.
Internal restrictions	13.2	13.0	
Unrestricted	9.4	11.6	
Cash and investments	44.9	53.6	

PERFORMANCE

Operating performance ratio

- The indicator of 6.8 per cent is above the industry benchmark.
- The improvement is due to increased rates and other revenue received in 2019.

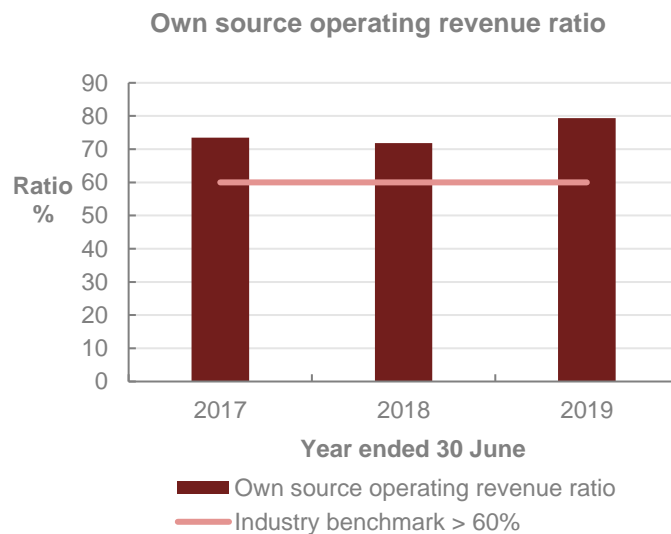
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 79.3 per cent exceeded the industry benchmark.
- This indicator fluctuates with movements in grants and contributions.
- Lower grants and contributions and higher rate and annual charge and other revenue led to the increase in the ratio in current year.

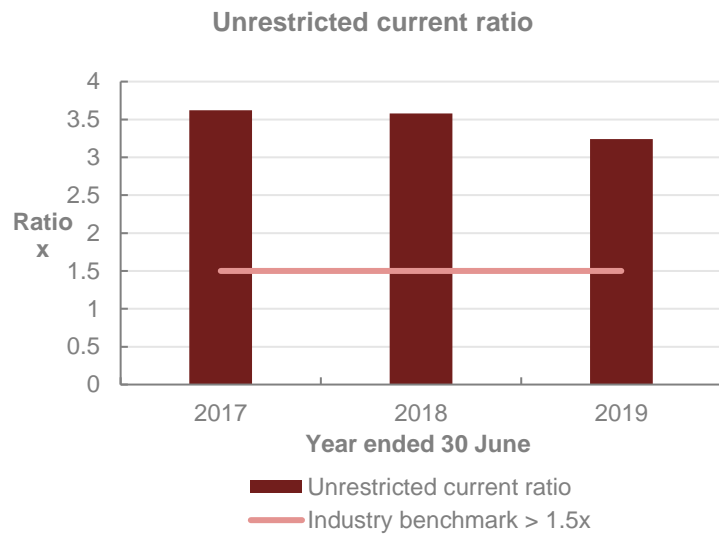
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- This ratio indicated that Council currently had 3.24 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities.
- The decrease is due to higher payables in the current year.

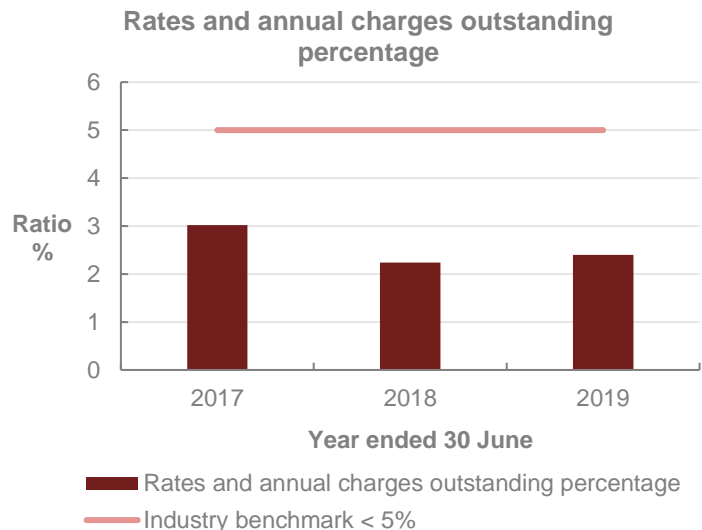
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Rates and annual charges outstanding percentage

- Council's outstanding rates and charges ratio of 2.4 per cent was within the industry benchmark.

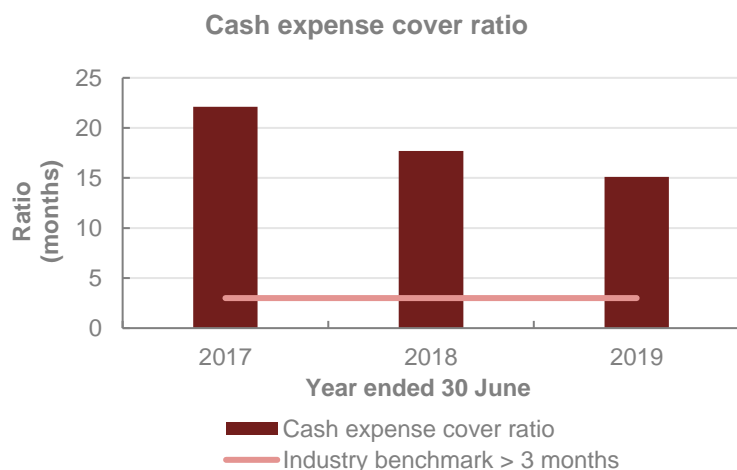
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 15.1 months well exceeded the industry benchmark.
- The decrease from prior year is due to less cash being held.

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



Infrastructure, property, plant and equipment renewals

The Council had \$15.1 million of asset renewals for the year ended 30 June 2019:

- the level of asset renewals is lower by \$3.2 million in the current year compared to the prior year. The decrease is mainly due to less open space/recreational asset renewals
- the renewals of roads and footpaths are consistent with prior year.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 7.</p>

Legislative compliance

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

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



Reiky Jiang
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr Henry Wong, Chief Executive Officer
Mr Brian Hrnjak, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Strathfield Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



Strathfield Council

Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
Statement by Councillors and Management	2
Special Purpose Financial Statements:	
Income Statement – Other Business Activities	3
Statement of Financial Position – Other Business Activities	4
Note 1 – Significant accounting policies	5
Auditor’s Report	8

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 Council

Special Purpose Financial Statements for the year ended 30 June 2019

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

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

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

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

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

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

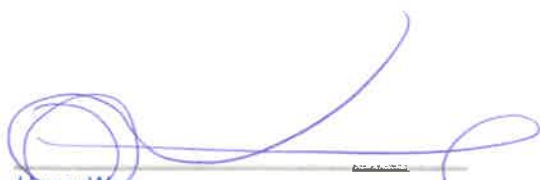
Signed in accordance with a resolution of Council made on 01 October 2019.



Antoine Doueih
Mayor
01 October 2019



Matthew Blackmore
Councillor
01 October 2019



Henry Wong
Chief Executive Officer
01 October 2019



Jenny Nascimento
Responsible accounting officer
01 October 2019

Strathfield Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2019

Hudson Park
Golf Course
Category 2

\$ '000	2019	2018
Income from continuing operations		
User charges	954	1,092
Other income	34	40
Total income from continuing operations	988	1,132
Expenses from continuing operations		
Employee benefits and on-costs	673	779
Materials and contracts	81	267
Depreciation, amortisation and impairment	129	131
Other expenses	73	120
Total expenses from continuing operations	956	1,297
Surplus (deficit) from continuing operations before capital amounts	32	(165)
Surplus (deficit) from continuing operations after capital amounts	32	(165)
Surplus (deficit) from all operations before tax	32	(165)
Less: corporate taxation equivalent (30%) [based on result before capital]	(10)	–
SURPLUS (DEFICIT) AFTER TAX	22	(165)
Plus accumulated surplus	3,332	3,497
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	10	–
Closing accumulated surplus	3,364	3,332
Return on capital %	0.8%	-4.0%
Subsidy from Council	21	272

Strathfield Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2019

Hudson Park
Golf Course
Category 2

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	1	1
Inventories	10	14
Total Current Assets	11	15
Non-current assets		
Infrastructure, property, plant and equipment	4,046	4,075
Total non-current assets	4,046	4,075
TOTAL ASSETS	4,057	4,090
LIABILITIES		
Current liabilities		
Payables	9	33
Provisions	91	70
Total current liabilities	100	103
Total non-current liabilities	-	-
TOTAL LIABILITIES	100	103
NET ASSETS	3,957	3,987
EQUITY		
Accumulated surplus	3,364	3,332
Revaluation reserves	593	655
TOTAL EQUITY	3,957	3,987

Strathfield Council

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

Note 1. Significant accounting policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the *Local Government Act 1993 (NSW)*, the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1 – Business activities with gross operating turnover more than \$2 million

Nil

Strathfield Council

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

Note 1. Significant accounting policies (continued)

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

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

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

Income tax

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

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

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

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

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

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

Strathfield Council

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

Note 1. Significant accounting policies (continued)

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 1.32% at 30/6/19.

(iv) Dividends

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



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

To the Councillors of the Strathfield Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of the Strathfield Council's (the Council) declared business activity, which comprise the Income Statement of the declared business activity for the year ended 30 June 2019, the Statement of Financial Position of the declared business activity as at 30 June 2019, Note 1 Significant accounting policies 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 statements present fairly, in all material respects, the financial position of the Council's declared business activity as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang
Director, Financial Audit Services
Delegate of the Auditor-General for New South Wales

2 October 2019
SYDNEY

Strathfield Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



Strathfield Council

Special Schedules

for the year ended 30 June 2019

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Strathfield Council

Permissible income for general rates

for the year ended 30 June 2020

\$'000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	17,404	17,187
Plus or minus adjustments ⁽²⁾	b	224	404
Notional general income	c = (a + b)	17,628	17,591
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.70%	2.30%
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	476	405
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	18,104	17,996
Plus (or minus) last year's carry forward total	l	398	(194)
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	398	(194)
Total permissible income	o = k + n	18,502	17,802
Less notional general income yield	p	18,421	17,404
Catch-up or (excess) result	q = o - p	81	398
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	2	—
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year ⁽⁶⁾	t = q + r - s	83	398

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Strathfield Council

To the Councillors of Strathfield Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

2 October 2019
SYDNEY

Strathfield Council

Report on Infrastructure Assets as at 30 June 2019

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices/ Administration Centres			779	874	8,290	11,214	64%	33%	3%	0%	0%
	Council Works Depot			146	178	2,486	3,287	58%	12%	30%	0%	0%
	Council Public Halls	250	250	48	42	4,722	9,482	14%	49%	10%	2%	25%
	Libraries			53	78	7,453	9,116	100%	0%	0%	0%	0%
	Cultural Facilities(Amenities)			180	305	7,575	10,493	57%	10%	22%	10%	1%
	Community Centre			31	47	2,757	6,729	0%	0%	98%	2%	0%
	Council House	25	25	7	19	507	1,807	0%	0%	72%	28%	0%
	Sub-total	275	275	1,244	1,543	33,790	52,128	48.9%	18.8%	23.9%	3.6%	4.7%
Roads	Sealed roads			1,033	1,045	53,596	79,884	44%	33%	23%	0%	0%
	Bridges			–	–	4,426	14,227	12%	31%	57%	0%	0%
	Footpaths			966	785	27,065	36,586	41%	44%	15%	0%	0%
	Other road assets			204	223	8,465	12,409	29%	54%	16%	1%	0%
	Bulk earthworks			–	–	31,065	31,065	100%	0%	0%	0%	0%
	Kerb & Gutter			1,360	1,217	23,925	32,865	21%	78%	1%	0%	0%
	Sub-total	–	–	3,563	3,270	148,542	207,036	45.1%	38.3%	16.6%	0.1%	0.0%

Strathfield Council

Report on Infrastructure Assets as at 30 June 2019 (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	2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater Conduits			63	106	30,913	51,530	25%	5%	60%	10%	0%
	Stormwater Inlet & Junction Pits			55	79	4,472	5,535	26%	33%	36%	5%	0%
	Sub-total	-	-	118	185	35,385	57,065	25.1%	7.7%	57.7%	9.5%	0.0%
Open space/recreational assets	Open spaces/Recreational Assets	350	350	2,581	2,523	30,204	39,536	61%	15%	22%	2%	0%
	Sub-total	350	350	2,581	2,523	30,204	39,536	61.0%	15.0%	22.0%	2.0%	0.0%
TOTAL – ALL ASSETS		625	625	7,506	7,521	247,921	355,765	44.2%	27.9%	24.8%	2.3%	0.7%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Strathfield Council

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

	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	<u>15,071</u>	320.80%	373.08%	127.85%	>= 100%
Depreciation, amortisation and impairment	<u>4,698</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>625</u>	0.25%	1.18%	1.49%	< 2.00%
Net carrying amount of infrastructure assets	<u>251,683</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>7,521</u>	100.20%	102.93%	115.25%	> 100%
Required asset maintenance	<u>7,506</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>625</u>	0.18%	0.78%	1.01%	
Gross replacement cost	<u>355,765</u>				

Notes

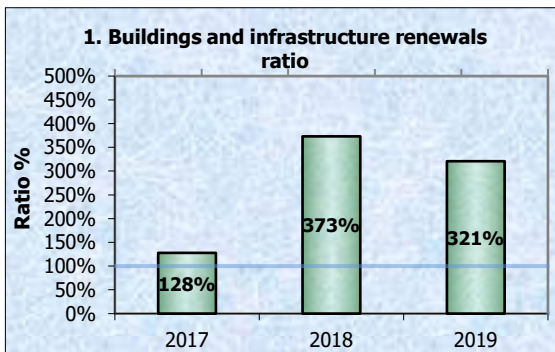
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(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

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



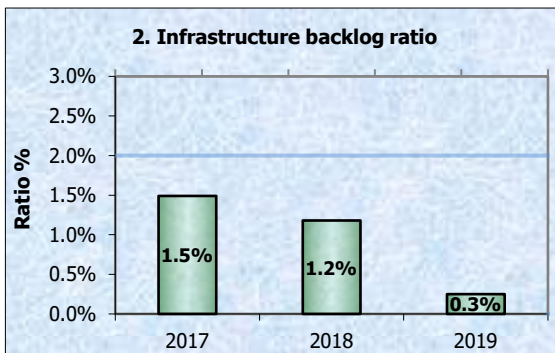
Benchmark: —— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Purpose of asset renewals ratio

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

Commentary on 2018/19 result	
2018/19 Ratio	320.80%
Asset renewals was again focused on roads, footpaths and open space recreational assets. The renewal is still playing catch up for past years of low or nil expenditure.	

■ Ratio achieves benchmark
■ Ratio is outside benchmark



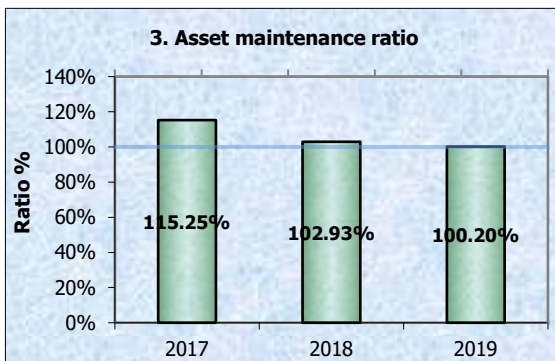
Benchmark: —— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Purpose of infrastructure backlog ratio

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

Commentary on 2018/19 result	
2018/19 Ratio	0.25%
Continuing on from last year council focused its priority on assets listed in the backlog of not meeting agreed service levels	

■ Ratio achieves benchmark
■ Ratio is outside benchmark



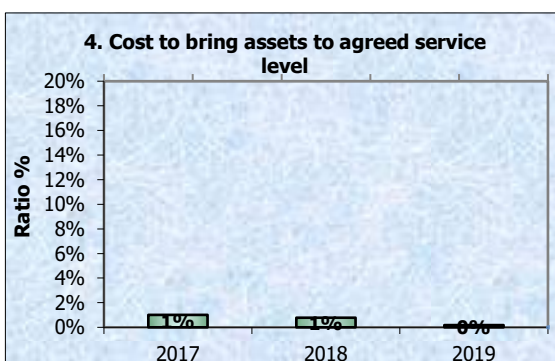
Benchmark: —— Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Purpose of asset maintenance ratio

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

Commentary on 2018/19 result	
2018/19 Ratio	100.20%
Council has met the benchmark as it aims to ensure no asset becomes impaired or does not meet service levels agreed on.	

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

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

Commentary on 2018/19 result	
2018/19 Ratio	0.18%
Annual maintenance was in conformance with the adopted budget .	