

Liverpool City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

LIVERPOOL
CITY
COUNCIL



Liverpool City Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

33 Moore Street
LIVERPOOL NSW 2170

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:
<http://www.liverpool.nsw.gov.au>.

Liverpool City Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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.

Liverpool City Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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


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

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

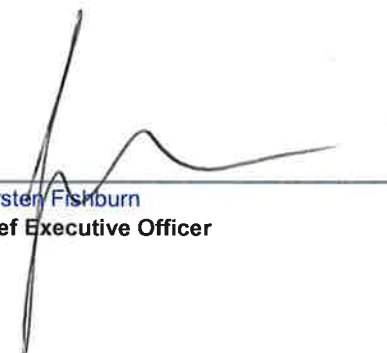
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

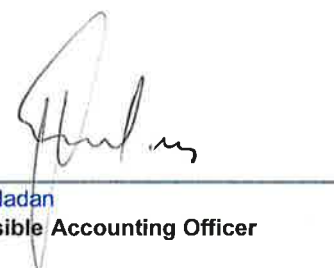
We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 29 October 2018.



Wendy Waller
Mayor

Ali Karnib
Deputy Mayor

Kiersten Fishburn
Chief Executive Officer

Vishwa Nadan
Responsible Accounting Officer

Liverpool City Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
122,084	Rates and annual charges	3a	124,706	118,869
18,995	User charges and fees	3b	22,026	19,345
5,235	Interest and investment revenue	3c	6,453	5,918
8,650	Other revenues	3d	11,571	10,471
16,185	Grants and contributions provided for operating purpose	3e,f	18,013	21,167
73,722	Grants and contributions provided for capital purposes	3e,f	116,134	107,676
Other income:				
6,155	Net gains from the disposal of assets	5	–	–
325	Net share of interests in joint ventures and associates using the equity method	17	646	737
251,351	Total income from continuing operations		299,549	284,183
Expenses from continuing operations				
66,218	Employee benefits and on-costs	4a	63,912	60,112
1,573	Borrowing costs	4b	1,613	1,877
59,275	Materials and contracts	4c	57,844	61,473
38,618	Depreciation and amortisation	4d	37,572	34,034
12,522	Other expenses	4e	12,072	12,347
–	Net losses from the disposal of assets	5	6,404	4,844
–	Revaluation decrement / impairment of IPP&E	4d	3,217	3,934
178,206	Total expenses from continuing operations		182,634	178,621
73,145	Operating result from continuing operations		116,915	105,562
73,145	Net operating result for the year		116,915	105,562
73,145	Net operating result attributable to Council		116,915	105,562
	Net operating result attributable to non-controlling interests		–	–
(577)	Net operating result for the year before grants and contributions provided for capital purposes		781	(2,114)

Liverpool City Council

Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		116,915	105,562
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of Infrastructure, property, plant and equipment	10a	123,032	65,314
Total items which will not be reclassified subsequently to the operating result		123,032	65,314
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		1,338	—
Total items which will be reclassified subsequently to the operating result when specific conditions are met		1,338	—
Total other comprehensive income for the year		124,370	65,314
Total comprehensive income for the year		241,285	170,876
Total comprehensive income attributable to Council		241,285	170,876
Total comprehensive income attributable to non-controlling interests		—	—

Liverpool City Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	104,005	47,081
Investments	6b	30,000	24,015
Receivables	7	17,725	18,274
Inventories	8	137	86
Other	8	1,704	1,233
Total current assets		153,571	90,689
Non-current assets			
Investments	6b	123,341	110,192
Receivables	7	20	24
Infrastructure, property, plant and equipment	10	2,496,425	2,330,949
Investments accounted for using the equity method	17	7,433	6,787
Intangible assets	12	1,314	1,084
Total non-current assets		2,628,533	2,449,036
TOTAL ASSETS		2,782,104	2,539,725
LIABILITIES			
Current liabilities			
Payables	13	21,517	21,580
Income received in advance	13	2,467	1,999
Borrowings	13	6,317	6,069
Provisions	14	22,152	21,897
Total current liabilities		52,453	51,545
Non-current liabilities			
Payables	13	6,910	6,486
Borrowings	13	26,390	26,377
Provisions	14	1,806	2,057
Total non-current liabilities		35,106	34,920
TOTAL LIABILITIES		87,559	86,465
Net assets		2,694,545	2,453,260
EQUITY			
Accumulated surplus	15	1,725,109	1,606,856
Revaluation reserves	15	969,436	846,404
Council equity interest		2,694,545	2,453,260
Non-controlling equity interests		—	—
Total equity		2,694,545	2,453,260

Liverpool City Council

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

	2018			2017			
	Accumulated surplus	IPP&E revaluation reserve	Council interest	Total equity	Accumulated surplus	IPP&E revaluation reserve	Council interest
\$ '000							
Notes							
	1,606,856	846,404	2,453,260	2,453,260	1,501,294	781,090	2,282,384
Opening balance	1,606,856	846,404	2,453,260	2,453,260	1,501,294	781,090	2,282,384
Restated opening balance	1,606,856	846,404	2,453,260	2,453,260	1,501,294	781,090	2,282,384
Net operating result for the year as reported in the financial statements	116,915	–	116,915	116,915	105,562	–	105,562
Net operating result for the year	116,915	–	116,915	116,915	105,562	–	105,562
Other comprehensive income							
– Gain (loss) on revaluation of infrastructure, property, plant and equipment	–	123,032	123,032	123,032	–	65,314	65,314
– Other movements (Retained Earning corrections)	1,337	–	1,337	1,337	–	–	–
Other comprehensive income	1,338	123,032	124,370	124,370	–	65,314	65,314
Total comprehensive income (c&d)	118,253	123,032	241,285	241,285	105,562	65,314	170,876
Equity – balance at end of the reporting period	1,725,109	969,436	2,694,545	2,694,545	1,606,856	846,404	2,453,260

Liverpool City Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
123,016	Rates and annual charges		124,117	118,691
19,592	User charges and fees		21,148	18,290
6,718	Investment revenue and Interest		6,624	5,698
63,904	Grants and contributions		99,719	69,369
–	Deposits and retention received		–	1,427
9,896	Other		24,228	20,773
Payments:				
(66,218)	Employee benefits and on-costs		(61,763)	(60,032)
(58,957)	Materials and contracts		(58,589)	(63,141)
(1,231)	Borrowing costs		(1,303)	(1,548)
–	Deposits and retention refunded		(495)	–
(12,522)	Other		(23,019)	(20,242)
84,198	Net cash provided (or used in) operating activities	16b	130,667	89,285
Cash flows from investing activities				
Receipts:				
39,000	Sale of investments		91,868	49,000
8,431	Sale of infrastructure, property, plant and equipment		5,211	1,083
Payments:				
(150,288)	Purchase of investment securities		(111,019)	(56,463)
(1,420)	Purchase of infrastructure, property, plant and equipment		(59,764)	(60,497)
(104,277)	Net cash provided (or used in) investing activities		(73,704)	(66,877)
Cash flows from financing activities				
Receipts:				
27,375	Proceeds from borrowings and advances		6,000	–
Payments:				
(8,181)	Repayment of borrowings and advances		(6,039)	(6,969)
19,194	Net cash flow provided (used in) financing activities		(39)	(6,969)
(885)	Net increase/(decrease) in cash and cash equivalents		56,924	15,439
30,747	Plus: cash and cash equivalents – beginning of reporting period	16a	47,081	31,642
29,862	Cash and cash equivalents – end of the year	16a	104,005	47,081
Additional Information:				
	plus: Investments on hand – end of year	6b	153,341	134,207
	Total cash, cash equivalents and investments		257,346	181,288

Liverpool City Council

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

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Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 29 October 2018.

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

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

Basis of preparation

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

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

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk 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 23
- (ii) Estimated employee benefits, including self-insured workers compensation claims liability – refer Note 14
- (iii) Estimated hazardous waste remediation costs – refer Note 14

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables – Council has made a significant judgement about the impairment of a number of its receivables in Note 7;
- (ii) Assessing condition of its infrastructure assets, their remaining useful lives, and estimating cost to bring them to satisfactory standard.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. At 30 June 2018, Council did not have any funds and/or property held in Trust.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

(b) The Trust Fund

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

Budget information

The Income Statement provides budget information on major income and expenditure items. Details of material budget variations (for income, expenditure and cash flows) are detailed in Note 21. Note 2a also provides budget information for revenues and expenses of each of Council's major activities. Budget figures provided are those approved by Council at the beginning of the financial year and do not reflect Council approved variations throughout the year. Budget information in the Financial Statements is not subject to audit.

Tax Accounting

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax. Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

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)

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

(i) **AASB 9 Financial Instruments**

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

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

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

Whilst the effect of this change on Council's financial performance and position is yet to be determined, the standard is not expected to have a material impact overall.

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

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

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

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

(iii) AASB 16 Leases

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for in the Statement of Financial Position (i.e. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'.

The profit and loss impact of the leases will be through amortisation and interest charges, with a corresponding decrease in lease/ rent expenses.

Whilst the impact of AASB 16 has not been fully determined, Council currently has \$1.298m of operating leases which are likely to be brought to account.

Liverpool City Council

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

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance										
Creating Connection										
C1 Celebrate diversity, promote inclusion and recognise heritage	–	–	938	1,752	(938)	(1,752)				
C2 Deliver a range of community events and activities	7,644	8,335	29,557	29,727	(21,913)	(21,392)	3,483	2,953	899,720	816,312
C3 Implement access and equity for all members of the community	–	–	971	985	(971)	(985)	–	–	–	–
C4 Provide community facilities which are accessible to all	540	458	5,552	5,191	(5,012)	(4,733)	256	258	–	–
C5 Create a Dynamic inclusive environment, including programs to support healthy living	3,804	3,553	9,508	9,232	(5,704)	(5,679)	2,007	1,750	–	–
Strengthening and protecting our environment										
S1 Manage the community's disposal of rubbish	2,451	3,788	6,951	6,620	(4,500)	(2,832)	1,120	845	458,521	366,733
S2 Protect and enhance bushland, rivers and the visual landscape	849	536	6,575	7,699	(5,726)	(7,163)	100	100	441,199	449,579
S3 Encourage sustainability, energy efficiency, and use of renewable energy	120,103	91,220	66,176	65,346	53,927	25,874	8,030	983	433,111	415,746
S4 Exercise planning controls to create high-quality, inclusive urban environments	30,235	28,709	27,604	26,591	2,631	2,118	472	698	–	–
S5 Develop and advocate for plans that support safe and friendly communities	31	88	15,716	17,063	(15,685)	(16,975)	8	11	–	–
	2,277	2,017	963	740	1,314	1,277	28	3	–	–
	85,684	58,661	15,164	15,162	70,520	43,499	7,161	–	357	230
	1,876	1,745	6,729	5,790	(4,853)	(4,045)	361	271	432,754	415,516

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Generating Opportunity	22,882	19,235	44,611	41,672	(21,729)	(22,437)	11,485	9,087	1,433,325	1,290,955
G1 Meet the challenges of Liverpool's growing population	4,330	3,453	8,778	12,152	(4,448)	(8,699)	2,357	1,552	276,932	200,905
G2 Attract businesses for economic growth and employment options	77	4	931	388	(854)	(384)	68	–	–	–
G3 Create an attractive environment for investment	3,816	3,277	12,422	10,567	(8,606)	(7,290)	1,287	318	–	–
G4 Advocate for, and develop, transport networks to create an accessible city	14,659	12,501	22,480	18,565	(7,821)	(6,064)	7,773	7,217	1,156,393	1,090,050
Leading through collaboration	45,784	60,638	41,352	40,124	4,432	20,514	7,811	736	8,515	9,925
L1 Seek effective and innovate methods to manage our resources	9,432	2,480	12,147	11,921	(2,715)	(9,441)	7,161	–	3,600	3,583
L2 Increase community engagement	302	292	2,823	2,905	(2,521)	(2,613)	–	–	–	–
L3 Encourage community participation in decision-making	–	–	34	28	(34)	(28)	–	–	–	–
L4 Strive for best practice in all Council processes	36,050	57,866	26,348	25,270	9,702	32,596	650	736	4,915	6,342
Share of gains/ (losses) in Associates & Joint Ventures (using the Equity Method)	647	737	–	–	647	737	–	–	7,433	6,787
General Purpose Income	102,489	104,018	–	–	102,489	104,018	9,458	14,104	–	–
Total functions and activities	299,549	284,183	182,634	178,621	116,915	105,562	40,267	27,863	2,782,104	2,539,725

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Creating Connection

This direction is based on the social aspect of the quadruple bottom line and covers actions that include cultural activities, recreation and active living, access and equity, and community facilities.

This direction is delivered by the following Service Delivery Units :

Casula Powerhouse Arts Centre	Events Management
Children's Services	Facilities Management
Civic Events	Infrastructure Delivery
Community & Development Planning	Libraries and Museum
Community and Culture Office	Recreation Management
Community Standards	Strategic Planning

Strengthening and Protecting our Environment

This direction is based on the environmental (natural and built) aspect of the quadruple bottom line and covers actions that management, urban design, planning and protection of specific environmental features.

This direction is delivered by the following Service Delivery Units :

Casula Powerhouse Arts Centre	Infrastructure Delivery
City Works	Operational Facilities
Community & Development Planning	Property Services
Community Standards	Strategic Planning
Development Assessment	Technical Support
Development Engineering	Waste Remediation

Generating Opportunity

This direction is based on the economic aspect of the quadruple bottom line and covers actions that include small business strategies, economic sustainability strategies, internal and external transport links and the financial sustainability of Council.

This direction is delivered by the following Service Delivery Units :

CEO Office	Development Engineering
Children's Services	Financial Services
City Corporate Office	Infrastructure and Environment Office
City Deal	Infrastructure Delivery
City Economy	Maintenance Planning
City Economy & Growth Office	Property
City Presentation Office	Recreation Management
City Works	Special Project Delivery
Community and Culture Office	

Liverpool City Council

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

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

Leading through Collaboration

This direction is based on the civic leadership aspect of the quadruple bottom line and covers actions that include leadership and representation, consultation and community participation in decision making, policy frameworks and ethical practices.

This direction is delivered by the following Service Delivery Units :

Casula Powerhouse Arts Centre
City Economy
City Economy & Growth Office
Communications
Community & Development Planning
Community and Culture Office
Corporate Strategy & Performance
Council & Executive Services
Customer Experience
Events Management
Facilities Management

Financial Services
Governance and Legal Services
Information and Technology
Internal Audit
Internal Ombudsman
Operational Facilities
People and Organisational Development
Property
Risk Management & WHS
Technical Support

Liverpool City Council

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

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	71,429	68,618
Farmland	494	412
Business	20,415	20,023
Less: pensioner rebates (mandatory)	(1,571)	(1,634)
Total ordinary rates	90,767	87,419
Special rates		
Environmental	1,645	1,600
Town improvement	1,497	1,490
Total special rates	3,142	3,090
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	29,539	27,143
Stormwater management services	1,483	1,434
Waste management services (non-domestic)	274	278
Section 611 charges	118	115
Less: pensioner rebates (mandatory)	(617)	(610)
Total annual charges	30,797	28,360
TOTAL RATES AND ANNUAL CHARGES	124,706	118,869

Accounting Policy:

Revenue recognition & measurement

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

Revenue is measured at the fair value of the consideration received or receivable.

Rates and annual charges

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

Rates and annual charges are recognised as revenues when the Council obtains control over the assets comprising these receipts. 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. A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Domestic waste management services and other special purpose annual levies collected are expended for the purposes for which the contributions were required.

Rebates on rates and annual charges are consistent with the Local Government 1993 is provided to eligible pensioners. The cost of rebates is shared between the NSW State Government (55%) and Council (45%).

Liverpool City Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Nil	–	–
Total specific user charges	–	–
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Animal impounding fees	77	115
Planning and building regulation	11,496	9,718
Regulatory/ statutory fees	868	703
Section 149 certificates (EPA Act)	571	529
Section 603 certificates	254	296
Other	51	19
Total fees and charges – statutory/regulatory	13,317	11,380
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Child care	3,284	3,131
Community hall rental	1,174	1,149
Leaseback fees – Council vehicles	50	22
Parking fees	3,828	3,282
Sports field hire	285	291
Other	88	90
Total fees and charges – other	8,709	7,965
TOTAL USER CHARGES AND FEES	22,026	19,345

Accounting Policy

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

Liverpool City Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(c) Interest and investment revenue (including losses)			
Interest			
– Overdue rates and annual charges		389	363
– Cash and investments		6,232	5,375
– Other		17	–
Fair value adjustments			
– Fair valuation movements in investments (at Fair Value through Profit and Loss)		(185)	180
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>6,453</u>	<u>5,918</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		389	363
General Council cash and investments		1,878	2,132
Restricted investments/funds – external:			
Development contributions			
– Section 7.11 – interest on investments		3,606	2,689
– Section 7.11 – share of fair value gain/(loss) on investments		(140)	93
Other externally restricted assets		720	641
<u>Total interest and investment revenue recognised</u>		<u>6,453</u>	<u>5,918</u>

Accounting Policy

Council is permitted to set interest rate payable on overdue rates and charges but not exceeding the maximum determined by the NSW Office of Local Government in accordance with section 566(3) of the Local Government Act 1993. For the reporting period 2017/18, Council applied the maximum permissible interest rate of 7.5% (comparative interest rate for 2016-17 was 8%).

Interest on cash and investment is recognised using the effective interest rate at the date that interest is earned.

Liverpool City Council

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

Note 3. Income from continuing operations (continued)

\$ '000		2018	2017
(d) Other revenues			
Rental income – investment property	11	–	245
Rental income – other council properties		3,093	2,273
Fines – parking		3,810	3,278
Fines – other		701	681
Legal fees recovery – other		215	–
Animal control		136	103
Compensation – easements		372	10
External works		1,156	1,163
Insurance claim recoveries		21	5
Long service levy commission		7	9
Photocopy income		95	93
Room hire		41	37
Sales – general		85	189
Sales – art galleries		263	160
Sales – printing services		25	5
Sales – recycling materials		364	983
Other		1,187	1,237
<u>TOTAL OTHER REVENUE</u>		<u>11,571</u>	<u>10,471</u>

Accounting Policy

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

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

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

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

Liverpool City Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	3,072	6,710	–	–
Financial assistance – local roads component	1,100	2,064	–	–
Payment in advance – future year allocation				
Financial assistance – general component	3,396	3,469	–	–
Financial assistance – local roads component	1,120	1,059	–	–
Other				
Pensioners' rates subsidies – general component	768	802	–	–
Total general purpose	9,456	14,104	–	–
Specific purpose (tied)				
Pensioners' rates subsidies:				
– Domestic waste management	256	267	–	–
Aged care	33	32	–	–
Better waste and recycling	216	418	–	–
Bushfire and emergency services	189	189	–	–
Child care	3,354	3,139	–	–
Community care	75	79	–	–
Cultural services	327	253	–	–
Drainage	16	13	113	63
Library	446	478	85	–
LIRS subsidy	551	622	–	–
Recreation and culture	20	13	–	–
Street lighting	780	765	–	–
Traffic route subsidy	101	115	–	–
Transport (other roads and bridges funding)	1,267	318	21,257	6,349
Other	910	109	815	537
Total specific purpose	8,541	6,810	22,270	6,949
Total grants	17,997	20,914	22,270	6,949
Grant revenue is attributable to:				
– Commonwealth funding	11,769	15,917	1,212	3,055
– State funding	6,043	4,857	21,011	3,845
– Other funding	185	140	47	49
	17,997	20,914	22,270	6,949

Liverpool City Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
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Accounting Policy

Control over grants is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

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.

(f) Contributions

Developer contributions:

(s7.4 & s7.11 – EP&A Act, s64 of the LGA):

Cash contributions

S 7.11 – contributions towards amenities/services

	–	–	57,825	38,686
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Total developer contributions – cash	–	–	57,825	38,686
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Non-cash contributions

S 7.11 – contributions towards amenities/services

	–	–	1,663	3,824
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Total developer contributions – non-cash	–	–	1,663	3,824
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Total developer contributions	26	–	–	59,488	42,510
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Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions (continued)					
Other contributions:					
Other		16	253	558	3,710
Total other contributions – cash		16	253	558	3,710
Non-cash contributions					
Dedications – subdivisions (other than by s7.11)		–	–	32,392	52,337
Land Under Roads		–	–	1,426	2,170
Total other contributions – non-cash		–	–	33,818	54,507
Total other contributions		16	253	34,376	58,217
Total contributions		16	253	93,864	100,727
TOTAL GRANTS AND CONTRIBUTIONS		18,013	21,167	116,134	107,676

Accounting Policy

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of Section 7.11 of the Environment Planning Act 1979. Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical 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 detailed note relating to developer contributions can be found at Note 25.

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

Liverpool City Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner		
Operating grants		
Operating grants recognised in the current period that have not been spent	804	65
Operating grants received for the provision of goods and services in a future period	17,997	20,914
Operating grants recognised in previous reporting periods that have been spent in the current reporting period	(86)	(485)
Capital grants		
Capital grants recognised in the current period that have not been spent	15,395	47
Capital grants received for the provision of goods and services in a future period	22,270	3,845
Capital grants recognised in previous reporting periods that have been spent in the current reporting period	(85)	(65)
Contributions		
Contributions recognised in the current period that have not been spent	58,349	38,820
Contributions received for the provision of goods and services in a future period	58,399	42,650
Contributions recognised in previous reporting periods that have been spent in the current reporting period	(14,268)	(16,428)

Accounting Policy

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

Liverpool City Council

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

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	52,869	49,247
Travel expenses	77	18
Employee leave entitlements (ELE)	9,178	7,409
Superannuation – defined contribution plans	5,355	4,950
Superannuation – defined benefit plans	415	450
Workers' compensation insurance	120	849
Fringe benefit tax (FBT)	365	516
Training costs (other than salaries and wages)	343	341
Other	739	1,592
Total employee costs	69,461	65,372
Less: capitalised costs	(5,549)	(5,260)
TOTAL EMPLOYEE COSTS EXPENSED	63,912	60,112
Number of 'full-time equivalent' employees (FTE) at year end	743	693

Accounting Policy

Employee benefit expenses are recorded when the service has been provided by the employee. Salaries and on-costs relating to Council staff directly involved in managing and delivery of capital projects are charged to respective projects.

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

(i) Defined Contribution Plan

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.

(ii) Defined Benefit Plan

(a) Funding agreements and method used to determine the entity's rate of contributions and any minimum funding requirements

Council participates in the pooled employer sponsored defined benefits of the Local Government Superannuation Scheme. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund. The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

Division B: 1.9 times employee contribution

Division C: 2.5% salaries

Division D: 1.64 times employee contribution

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017

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

(b) Extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.

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

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

(c) Description of any agreed allocation of a deficit or surplus on:

(i) Wind-up of the plan - there are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

(ii) The entity's withdrawal from the plan - there is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

(d) Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan:

(i) The fact that the plan is a defined benefit plan.

(ii) The reasons why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan are:

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

Given the factors set out 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 the members).

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

As such there is insufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would be for a single employer sponsored defined benefit plan.

(iii) The expected contributions to the plan for the next annual reporting period is \$608,224.16.

(iv) Information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity

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

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

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

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

Investment return: 6.0% per annum

Salary inflation* : 3.5% per annum

Increase in CPI: 2.5% per annum

*plus promotional increases

The contribution requirement 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.

The share of the surplus in the scheme is about 0.63% which is estimated to be in the order of \$ 191,000

Additional contributions are estimated to remain in place until 30 June 2021 i.e. \$762,000 additional contributions remaining. However the Trustee will be reviewing the financial position of the fund on an annual basis and will provide updates.

(v) Indication of the level of participation of the entity in the plan compared with other participating entities

Council's participation in the scheme compared with other entities is about 1.905% based on Council's current level of additional contributions of \$762,000 against total contributions of \$40m.

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2018 was \$711,525.83. The last valuation of the Fund was performed by Mr Richard Boyfield (Fellow of the Institute of Actuaries of Australia) on 12 December 2017, relating to the period ending 30 June 2017.

Liverpool City Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		1,313	1,512
Total interest bearing liability costs		1,313	1,512
Total interest bearing liability costs expensed		1,313	1,512
(ii) Other borrowing costs			
Amortisation on interest free (and favourable) loans to Council		300	365
Total other borrowing costs		300	365
TOTAL BORROWING COSTS EXPENSED		1,613	1,877

Accounting Policy

Interest on loans is recognised on an accrual basis. When the debt arrangement is interest free or includes a discount, notional interest payable is calculated and amortised using the effective interest rate method.

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

Liverpool City Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	52,784	72,084
Contractor and consultancy costs	80,750	88,354
Auditors remuneration ⁽²⁾	163	172
Legal expenses:		
– Legal expenses: planning and development	941	1,320
– Legal expenses: other	668	863
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	1,297	1,440
Total materials and contracts	136,603	164,233
Less: capitalised costs	(78,759)	(102,760)
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>57,844</u>	<u>61,473</u>

Accounting Policy: 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	180	374
Motor vehicles	868	824
Other	249	242
	<u>1,297</u>	<u>1,440</u>

Liverpool City Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
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(c) Materials and contracts (continued)

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

Remuneration for audit and other assurance services

(ii) Non-assurance services

Remuneration for non-assurance services

Total Auditor-General remuneration

Total Auditor remuneration

163	172
163	172
–	–
163	172
163	172

Liverpool City Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		2,239	2,295
Office equipment		376	330
Furniture and fittings		170	163
Land improvements (depreciable)		5	5
Infrastructure:			
– Buildings – non-specialised		9,603	9,393
– Other structures		146	36
– Roads		15,829	12,226
– Stormwater drainage		4,359	3,514
– Other open space/recreational assets		3,512	4,705
Other assets:			
– Heritage collections		164	164
– Library books		696	678
Intangible assets	12	473	525
Total gross depreciation and amortisation costs		37,572	34,034
Total depreciation and amortisation costs		37,572	34,034

Accounting Policy

Depreciation and amortisation are calculated using the straight line method to allocate their cost, over their estimated useful lives. Useful lives are included in Note 10a for IPPE assets and Note 12 for intangible assets.

Liverpool City Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment (continued)			
Impairment / revaluation decrement of IPP&E			
Other assets:			
– Operational land		–	1,536
– Land under roads (Fair Value Decrement)		3,217	2,398
Total IPP&E impairment / revaluation decrement costs		3,217	3,934
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECUREMENT</u>		<u>40,789</u>	<u>37,968</u>

Accounting Policy: Impairment of non-financial assets

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

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

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

Impairment of financial assets

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

Liverpool City Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(e) Other expenses			
Advertising		346	250
Bad and doubtful debts		345	48
– Department of planning levy		142	139
– Emergency services levy (includes FRNSW, SES, and RFS levies)		311	348
– NSW fire brigade levy		1,329	1,230
– NSW rural fire service levy		249	243
– Sydney Water		955	585
– Australian communication authority		100	30
Councillor expenses – mayoral fee		65	64
Councillor expenses – councillors' fees		270	247
Councillors' expenses (incl. mayor) – other (excluding fees above)		85	90
Donations, contributions and assistance to other organisations (Section 356)		893	670
Donations, contributions and assistance -other		–	57
Election expenses		–	876
Electricity and heating		2,347	1,543
Insurance		1,486	1,948
Street lighting		2,294	2,694
Subscriptions and publications		390	427
Telephone and communications		679	649
Other		126	209
Total other expenses		12,412	12,347
Less: capitalised costs		(340)	–
<u>TOTAL OTHER EXPENSES</u>		<u>12,072</u>	<u>12,347</u>

Accounting Policy

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

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	10		
Proceeds from disposal – property		5,005	9
Less: carrying amount of property assets sold/written off		(7,671)	(10)
Net gain/(loss) on disposal		(2,666)	(1)
Plant and equipment	10		
Proceeds from disposal – plant and equipment		206	1,074
Less: carrying amount of plant and equipment assets sold/written off		(34)	(142)
Net gain/(loss) on disposal		172	932
Infrastructure	10		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(3,914)	(5,677)
Net gain/(loss) on disposal		(3,914)	(5,677)
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		91,868	49,000
Less: carrying amount of financial assets sold/redeemed/matured		(91,700)	(49,000)
Net gain/(loss) on disposal		168	–
Other – Library Books			
Proceeds from disposal – Other – Library Books		–	–
Less: carrying amount of Other – Library Books assets sold/written off	10	(164)	(98)
Net gain/(loss) on disposal		(164)	(98)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(6,404)	(4,844)
1. Financial assets disposals/redemptions include:			
– Net gain/(loss) from financial instruments 'at fair value through profit and loss'		168	–
Net gain/(loss) on disposal of financial instruments		168	–

Accounting Policy

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

Liverpool City Council

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	20,572	2,412
Cash-equivalent assets		
– Deposits at call	29,168	15,626
– Managed funds	21,265	11,043
– Short-term deposits	33,000	18,000
Total cash and cash equivalents	104,005	47,081

Accounting Policy

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

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition'	–	66,341	15,015	59,192
b. 'Held to maturity'	30,000	57,000	9,000	51,000
Total investments	30,000	123,341	24,015	110,192
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>134,005</u>	<u>123,341</u>	<u>71,096</u>	<u>110,192</u>
Financial assets at fair value through the profit and loss				
Non-convertible debentures or floating rate notes (with maturities > 3 months)	–	64,745	15,015	57,513
Mortgage backed securities	–	1,596	–	1,679
Total	–	66,341	15,015	59,192
Held to maturity investments				
Long term deposits	30,000	57,000	9,000	51,000
Total	30,000	57,000	9,000	51,000

Liverpool City Council

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

Note 6(b). Investments (continued)

Investment Policy

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and section 212 of the *Local Government (General) Regulations 2005*. Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council's investment principles as set out in its investment policy is "to maximise returns while paying due consideration to matters of risk, liquidity and security for its investment".

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

Classification

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

(a) Financial assets at fair value through profit or loss

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

(b) Held to maturity investments

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

(c) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

Liverpool City Council

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

Note 6(b). Investments (continued)

Recognition and de-recognition

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

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

Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Liverpool City Council

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

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

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	134,005	123,341	71,096	110,192
attributable to:				
External restrictions (refer below)	69,267	123,341	14,767	110,192
Internal restrictions (refer below)	16,738	–	8,093	–
Unrestricted	48,000	–	48,236	–
	134,005	123,341	71,096	110,192

\$ '000	Notes	2018	2017
Details of restrictions			
External restrictions – included in liabilities			
External restrictions – other			
Developer contributions – general		145,720	98,340
Specific purpose unexpended grants - Capital		18,472	3,162
Domestic waste management		15,683	10,933
Stormwater management		258	238
Better waste and recycling reserve		351	287
City development fund (previously TIF)		2,233	3,241
Collingwood house restoration works		230	230
Edmondson park reserve (unexpended loan)		2,589	2,519
Environmental levy		4,148	4,009
LIRS reserve (CDF)		–	103
Other contributions reserve		1,336	1,027
Specific Purpose unexpended grants - Operating		1,588	870
External restrictions – other		192,608	124,959
Total external restrictions		192,608	124,959

Liverpool City Council

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

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

\$ '000	Notes	2018	2017
Internal restrictions			
Employees leave entitlement		3,060	3,060
General property reserve		3,589	918
Insurance reserve		1,796	1,796
Moorebank voluntary acq reserve		904	904
Parking strategy reserve		1,500	1,415
Loan Reserve		5,889	–
Total internal restrictions		16,738	8,093
TOTAL RESTRICTIONS		209,346	133,052

Accounting Policy

Cash, cash equivalents and investments are restricted for prudent financial management purposes as follows:

- **Employee Leave Entitlements** – approximately 20% of the employee leave entitlement provision is set aside to fund extraordinary movements of staff. Normal annual payments of leave entitlements are funded from operating income.
- **Insurance** – savings on insurance premiums and excess set aside to pay unexpected claims at a future date.
- **Parking Strategy** – parking fees revenue collected in the city centre is set aside to fund initiatives that will improve car parking and transport in the CBD.
- **Moorebank Voluntary Acquisition** – cash set aside for acquisition of properties on a hazardous floodway alongside the Georges River.
- **Developer contributions** – 100% of cash Developer Contributions levied under Section 7.11 contribution plan, received but not yet expended in accordance with the contributions plan.
- **Unexpended grants** - 100% of cash grants received but not expensed during the year are treated as restricted funds
- **Domestic Waste** - Any cash surplus from operations is held as a restricted asset to fund future capital
- **Stormwater management** – 100% of funds received through the stormwater levy are set aside for various structural and non-structural programs used to reduce urban stormwater pollution. Unspent funds are held as
- **Edmondson Park/ LIRS Reserves** – unspent funds at reporting date from borrowings for Edmondson Park and other projects funded from borrowing under the Local Infrastructure Renewals Scheme are set aside to fund specific projects.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

- **Better Waste and Recycling Reserve** – unspent funds received from the NSW Environment Protection Authority (EPA) under Waste Less Recycle More initiative.
- **Collingwood House Restoration Works** – contributions collected under a Voluntary Planning Agreement arrangement towards restoration works at Collingwood House.
- **LIRS Reserve** – unspent funds received under NSW Local Infrastructure Renewals Scheme.
- **Environmental levy** – 100% cash collected from ratepayers are set aside to fund initiatives under Council's Environment Restoration Plan.
- **City Development Fund (formerly referred to as Town Improvement Fund)** – 100% cash collected from this special rate levied on properties within Town Improvement District zone is set aside to fund special projects within the city precinct.

Liverpool City Council

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

Note 7. Receivables

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		5,505	20	4,912	24
Interest and extra charges		487	–	410	–
User charges and fees		6,236	–	4,561	–
Accrued revenues					
– Interest on investments		2,028	–	2,068	–
– Other income accruals		1,988	–	2,732	–
Government grants and subsidies		674	–	1,727	–
Net GST receivable		1,228	–	1,963	–
Other debtors		114	–	109	–
Total		18,260	20	18,482	24
Less: provision for impairment					
User charges and fees		(535)	–	(208)	–
Total provision for impairment – receivables		(535)	–	(208)	–
<u>TOTAL NET RECEIVABLES</u>		<u>17,725</u>	<u>20</u>	<u>18,274</u>	<u>24</u>
Externally restricted receivables					
Domestic waste management		1,395		1,235	–
Town improvement		57		37	–
– Environmental levy		80		75	–
Total external restrictions		1,532	–	1,347	–
Internally restricted receivables					
Nil					
Unrestricted receivables		16,193	20	16,927	24
TOTAL NET RECEIVABLES		17,725	20	18,274	24

Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	208	190
+ new provisions recognised during the year	345	49
– amounts already provided for and written off this year	(18)	(31)
Balance at the end of the year	535	208

Liverpool City Council

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

Note 7. Receivables (continued)

Accounting Policy

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days. Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

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

Impairment

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

Note 8. Inventories and other assets

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		137	—	86	—
Total inventories at cost		137	—	86	—
<u>TOTAL INVENTORIES</u>		137	—	86	—
(b) Other assets					
Prepayments		1,704	—	1,233	—
<u>TOTAL OTHER ASSETS</u>		1,704	—	1,233	—
Externally restricted assets					
There are no restrictions applicable to the above assets.					
Total unrestricted assets		1,841	—	1,319	—
TOTAL INVENTORIES AND OTHER ASSETS		1,841	—	1,319	—

Liverpool City Council

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

Note 8. Inventories and other assets (continued)

Accounting Policy

Council stocks common use items and the value of these items is held at cost, adjusted where applicable for any loss of service potential.

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

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Liverpool City Council

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

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

Asset class	as at 30/6/2017				Asset movements during the reporting period							as at 30/6/2018			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount		Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation Increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000															
Capital work in progress	26,925	–	26,925		40,891	18,896		–		(37,540)	322	(849)	48,645	–	48,645
Plant and equipment	19,878	13,306	6,572				(104)	(2,239)	–	1,042	1		19,703	14,431	5,272
Office equipment	4,902	3,526	1,376				(1)	(376)	–	181			4,987	3,807	1,180
Furniture and fittings	2,968	1,845	1,123				(3)	(170)	–	157	(1)		3,034	1,928	1,106
Plant and equipment (under finance lease)	–	–	–					–					–	–	–
Land:															
– Operational land	189,174	–	189,174			1,337	(2,402)	–		–	833	49,347	238,289	–	238,289
– Community land	357,964	–	357,964				(4,607)	–		660	(1,220)	(3,881)	348,916	–	348,916
– Land under roads (post 30/6/08)	16,099	–	16,099			1,426		–		3,575	63		17,946	–	17,946
Land improvements – non-depreciable	16,861	–	16,861					–		108			16,969	–	16,969
Land improvements – depreciable	342	35	307					(5)	–	–			342	40	302
Infrastructure:															
– Buildings – non-specialised	323,223	148,639	174,584				(587)	(9,603)	–	5,139	1	48,024	360,483	142,925	217,558
– Buildings – specialised	–	–	–					–	–	–			–	–	–
– Other structures	5,147	666	4,481					(146)	–	840	(391)	85	5,681	812	4,869
– Roads	1,258,594	211,568	1,047,026			21,770	(3,889)	(15,829)	–	19,329	397	20,998	1,313,413	223,611	1,089,802
– Stormwater drainage	502,075	86,559	415,516			10,015	(6)	(4,359)	–	3,286	18	8,284	523,670	90,916	432,754
– Other open space/recreational assets	87,641	17,675	69,966			208	(20)	(3,512)	–	2,501	(24)	1,024	91,275	21,132	70,143
Other assets:															
– Heritage collections	1,654	886	768				(164)	(164)	–	–	1		1,654	1,049	605
– Library books	5,964	3,757	2,207				(164)	(696)	–	722			5,690	3,621	2,069
– Other (capital WIP)	–	–	–					–	–	–			–	–	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,819,411	488,462	2,330,949	40,891	53,652	(11,783)	(37,099)	(3,217)	–	–	–	123,032	3,000,697	504,272	2,496,425

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

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

(i) Acquisition of assets

Council's non-current assets are progressively revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At reporting date, the following classes of infrastructure, property, plant and equipment were stated at their fair value:

- Plant and equipment (as approximated by depreciated historical cost)
- Office equipment (as approximated by depreciated historical cost)
- Furniture & Fittings (as approximated by depreciated historical cost)
- Operational land: unrestricted (external valuation)
- Operational land: zoned with restrictions (external valuation - NSW Valuer-General)
- Community land (external valuation – NSW Valuer- General)
- Land under roads: post 30 June 2008 - (Internal valuation)
- Land improvements (as approximated by depreciated historical cost)
- Buildings – specialised/non-specialised (external valuation)
- Other structures (Internal valuation)
- Road assets - roads, bridges and footpaths (Internal valuation)
- Bulk earthworks (Internal valuation)
- Drainage assets (Internal valuation)
- Other open space/recreational assets (Internal valuation)
- Other assets (as approximated by depreciated historical cost)

(ii) Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition. Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

(iii) Subsequent costs

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.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

(iv) Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount. Desktop valuation of roads, bridges, footpaths and drainage assets was performed as at 30 June 2018 that resulted in indices applied to their carrying values. Council used producer price index to adjust the carrying amounts. Full revaluations are undertaken for all assets on a 5-year cycle. Assets were last comprehensively revalued as per below:

Roads, bridges, footpaths, drainage, bulk earth works, other road assets - 30 June 2015

All other asset classes, other structures, land improvements - 30 June 2016

Land under roads - 30 June 2017

Community land - 30 June 2017

Operational land and buildings - 30 June 2018

(v) Capitalisation thresholds

Items of infrastructure, property, plant and equipment costing in excess of \$1000 are capitalised.

(vi) Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life. Land is not depreciated. Estimated useful lives for Council's I.PP&E include:

Plant and equipment	5 to 10 years
Office equipment	5 to 10 years
Furniture & Fittings	5 to 10 years
Land improvements	100 years
Buildings	20 to 100 years
Other structures	3 to 20 years
Road assets	15 to 100 years
Bulk earthworks	Infinite
Drainage	100 years
Open Space recreational assets	5 to 20 years
Other assets	5 to 20 years

All asset useful lives are reviewed and adjusted (if appropriate) at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount - refer note 10 (a) (xii) on asset impairment.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

(vii) Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(viii) Dedicated Assets

Section 93F of the Environment Planning Act 1979 (NSW) provides NSW Councils a legal framework to enter into planning agreements. These are voluntary agreements where the developer may dedicate land, pay monetary contributions, or provide a material public benefit (or a combination of these) which the council must then apply toward a public purpose. These assets are valued using unit rates from the latest valuation report. The value of such assets received during the reporting year is included in the Income Statement as "Grants & Contributions provided for capital purposes" and forms part of Council's asset base at reporting date.

(ix) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either operational or community.

(x) Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 – Land Under Roads Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

Council uses average unit value of the land within council area to value land under roads. Land value is determined by the Valuer General and discounted by 90% to reflect the restricted use of land under roads.

The value of land under roads dedicated to Council in the current year is included in Income Statement as "Grants & Contributions provided for Capital Purposes" and forms part of Council's asset base at reporting date.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

(xi) Intangible assets – IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

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

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. 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.

(xii) 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.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(xiii) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed 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.

Where an asset is not held principally for cash- generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

(xiv) Rural fire service assets

Under section 119 of the Rural Fires Act 1997, 'all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed'.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

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

Liverpool City Council

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

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

\$ '000

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management						
Plant and equipment	1,934	1,577	357	1,701	1,471	230
Total DWM	1,934	1,577	357	1,701	1,471	230
TOTAL RESTRICTED IPP&E	1,934	1,577	357	1,701	1,471	230

Note 10(c). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2018	2017
(i) Impairment losses recognised in the Income Statement:			
Operational Land carrying value exceeding net realisable value		–	(1,491)
Community Land purchased in current period exceeding VG value		–	(45)
Land under roads		(3,217)	(2,398)
Total impairment losses		(3,217)	(3,934)
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	(3,217)	(3,934)

Liverpool City Council

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

Note 11. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>—</u>	<u>—</u>
Reconciliation of annual movement:		
Opening balance	—	16,000
– Transfers from/(to) owner occupied (Note 10)	—	(16,000)
CLOSING BALANCE – INVESTMENT PROPERTY	<u>—</u>	<u>—</u>

(b) Valuation basis

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

(c) Contractual obligations at reporting date

Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.

(d) Investment property income and expenditure – summary

Rental income from investment property:		
– Minimum lease payments	—	245
Net revenue contribution from investment property	<u>—</u>	<u>245</u>
plus:		
Fair value movement for year	<u>—</u>	<u>—</u>
Total income attributable to investment property	<u>—</u>	<u>245</u>

Accounting Policy

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment property are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Liverpool City Council

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

Note 12. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	3,388	3,305
Accumulated amortisation (1/7)	(2,304)	(1,778)
Net book value – opening balance	1,084	1,527
Movements for the year		
– Purchases	703	83
– Amortisation charges	(473)	(525)
Closing values:		
Gross book value (30/6)	4,091	3,388
Accumulated amortisation (30/6)	(2,777)	(2,304)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>1,314</u>	<u>1,084</u>
¹ The net book value of intangible assets represent:		
– Software	1,314	1,084
	1,314	1,084

Accounting policy for intangible assets

IT development and software

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

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

Liverpool City Council

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

Note 13. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	13,210	–	13,904	–
Accrued expenses:				
– Borrowings	104	–	94	–
– Other expenditure accruals	6,014	–	4,476	–
Advances	48	–	46	–
Security bonds, deposits and retentions	2,141	6,910	3,060	6,486
Total payables	21,517	6,910	21,580	6,486
Income received in advance				
Payments received in advance	1,521	–	1,178	–
Ratepayers' advances	946	–	821	–
Total income received in advance	2,467	–	1,999	–
Borrowings				
Loans – secured ¹	6,317	26,390	6,069	26,377
Total borrowings	6,317	26,390	6,069	26,377
TOTAL PAYABLES AND BORROWINGS	30,301	33,300	29,648	32,863

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Interest Free and LIRS borrowings	3,688	14,814	3,192	18,172
Payables and borrowings relating to externally restricted assets	3,688	14,814	3,192	18,172
Internally restricted assets				
Nil				
Total payables and borrowings relating to restricted assets	3,688	14,814	3,192	18,172
Total payables and borrowings relating to unrestricted assets	26,613	18,486	26,456	14,691
TOTAL PAYABLES AND BORROWINGS	30,301	33,300	29,648	32,863

¹ Loans are secured over the general rating income of Council. Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 22.

Liverpool City Council

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

Note 13. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	535	765
	535	765

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	32,446	(39)			300	32,707
TOTAL	32,446	(39)	–	–	300	32,707

\$ '000	2018	2017
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ⁽¹⁾	4,000	500
Credit cards/purchase cards	6,550	550
Bank Guarantees	3,500	2,500
Total financing arrangements	14,050	3,550
Drawn facilities as at balance date:		
– Bank overdraft facilities	–	–
– Credit cards/purchase cards	1,882	–
– Bank Guarantees	3,397	–
Total drawn financing arrangements	5,279	–
Undrawn facilities as at balance date:		
– Bank overdraft facilities	4,000	500
– Credit cards/purchase cards	4,668	550
– Bank Guarantees	103	2,500
Total undrawn financing arrangements	8,771	3,550

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

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance leases

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

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

Liverpool City Council

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

Note 14. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	6,067	–	4,963	–
Sick leave	215	–	148	–
Long service leave	9,974	336	10,057	397
Other leave	1,514	–	392	–
Sub-total – aggregate employee benefits	17,770	336	15,560	397
Asset remediation/restoration:				
Site Contamination	2,500	–	4,000	–
Sub-total – asset remediation/restoration	2,500	–	4,000	–
Other provisions:				
Self insurance – workers compensation	(20)	1,470	410	1,660
Other	1,902	–	1,927	–
Sub-total – other provisions	1,882	1,470	2,337	1,660
<u>TOTAL PROVISIONS</u>	<u>22,152</u>	<u>1,806</u>	<u>21,897</u>	<u>2,057</u>

(a) Provisions relating to restricted assets

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

\$ '000		
	2018	2017
(b) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	8,977	9,051
	8,977	9,051

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	4,963	148	10,454	–	392	15,957
Additional provisions	1,104	67			1,122	2,293
Amounts used (payments)			(144)			(144)
Total ELE provisions at end of year	6,067	215	10,310	–	1,514	18,106

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	5,225	256	10,396		–	15,877
Additional provisions			58		392	450
Amounts used (payments)	(262)	(108)				(370)
Total ELE provisions at end of year	4,963	148	10,454	–	392	15,957

2018	Other provisions			Total
	Hazardous Waste Remediation/ Site Contamination	Self-insurance: Workers Compensation	Other	
At beginning of year	4,000	2,070	1,927	7,997
Additional provisions	2,500	–	600	3,100
Amounts used (payments)	(4,000)	(620)	(625)	(5,245)
Total other provisions at end of year	2,500	1,450	1,902	5,852

2017	Other provisions			Total
	Hazardous Waste Remediation/ Site Contamination	Self-insurance: Workers Compensation	Other	
At beginning of year	2,645	2,480	190	5,315
Additional provisions	4,000		1,737	5,737
Amounts used (payments)	(2,645)	(410)		(3,055)
Total other provisions at end of year	4,000	2,070	1,927	7,997

Liverpool City Council

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

Note 14. Provisions (Continued)

Nature and purpose of non-employee benefit provisions

Hazardous Waste Remediation/Site Contamination

Various sites within the Liverpool LGA were identified as contaminated with hazardous waste and requires appropriate Environment Protection Authority (EPA) approved remediation procedures. Provision is made for estimated costs to carry out identified works.

Self-insurance: Workers Compensation

Council is a licenced self-insurer for the purposes of workers compensation and as such is required to demonstrate to the State Insurance Regulatory Authority (SIRA) its financial viability to meet its outstanding claims liability. Provision for self-insurance is based on annual actuarial valuation. Council engaged David G Hart Consulting Pty Ltd to conduct valuation of its outstanding claims liability as at 30 June 2018. The estimated liability is projected based on Council's current and past claims in accordance with SIRA estimation guidelines. Following SIRA's assessment of the actuarial report, Council is also required to provide a bank guarantee as security against its outstanding claims liability – refer Note 19 (1).

Other

Council has recognised estimated costs of other known obligations at the end of reporting period.

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions (Continued)

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

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

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Council made no correction of errors during the current reporting period.

(c) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

(d) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Note 16. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	104,005	47,081
Balance as per the Statement of Cash Flows		104,005	47,081

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Statement of cash flows – additional information (Continued)

(b) Reconciliation of net operating result to cash provided from operating activities

\$ '000	Notes	2018	2017
Net operating result from Income Statement		116,915	105,562
Adjust for non-cash items:			
Depreciation and amortisation		37,572	34,034
Net losses/(gains) on disposal of assets		6,404	4,844
Non-cash capital grants and contributions		(35,481)	(58,331)
Impairment losses recognition – investments		–	1,536
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L		–	2,398
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		185	(180)
– Revaluation decrements / impairments of IPP&E direct to P&L		3,217	–
– Other (New Assets Recognised in Operational Land)		1,337	–
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		300	365
Share of net (profits) or losses of associates/joint ventures		(646)	(737)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		226	(2,739)
Increase/(decrease) in provision for doubtful debts		327	18
Decrease/(increase) in inventories		(51)	(16)
Decrease/(increase) in other assets		(471)	159
Increase/(decrease) in payables		(694)	4,495
Increase/(decrease) in accrued interest payable		10	(36)
Increase/(decrease) in other accrued expenses payable		1,538	(6,669)
Increase/(decrease) in other liabilities		(25)	1,820
Increase/(decrease) in employee leave entitlements		2,149	80
Increase/(decrease) in other provisions		(2,145)	2,682
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		130,667	89,285
(c) Non-cash investing and financing activities			
Dedications		33,818	54,507
Section 7.11 Contribution in Kind		1,663	3,824
Total non-cash investing and financing activities		35,481	58,331

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
Joint ventures	646	737	7,433	6,787
Total	646	737	7,433	6,787

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint arrangements

(i) Joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Civic Risk Mutual	Joint Venture	Equity Accounting	721	554
Civic Risk West	Joint Venture	Equity Accounting	6,712	6,232
Total carrying amounts – material joint ventures			7,433	6,786

(b) Details

Name of entity	Principal activity	Place of business
Civic Risk Mutual	Self Insurance	601 High Street , Penrith NSW 2750
Civic Risk West	Self Insurance	601 High Street , Penrith NSW 2750

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017	2018	2017
Civic Risk Mutual	721	554	9%	9%	9%	9%	6%	6%
Civic Risk West	6,712	6,232	16%	16%	16%	15%	10%	10%

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Interests in other entities (Continued)

\$ '000

(d) Summarised financial information for joint ventures

	Civic Risk Mutual		Civic Risk West	
	2018	2017	2018	2017
Statement of financial position				
Current assets				
Cash and cash equivalents	1,158	506	3,022	2,935
Other current assets	5,759	6,239	19,442	13,722
Non-current assets	5,988	5,889	41,740	47,434
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	2,690	2,891	6,111	5,008
Other current liabilities	299	423	720	677
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	1,448	2,830	15,612	20,429
Net assets	8,468	6,490	41,761	37,977
Reconciliation of the carrying amount				
Opening net assets (1 July)	6,490	7,286	37,977	32,195
Profit/(loss) for the period	1,978	(796)	5,912	7,455
Other adjustments to equity			(2,128)	(1,673)
Closing net assets	8,468	6,490	41,761	37,977
Council's share of net assets (%)	8.5%	8.5%	16.1%	16.4%
Council's share of net assets (\$)	721	554	6,712	6,233
	Civic Risk Mutual		Civic Risk West	
	2018	2017	2018	2017
Statement of comprehensive income				
Income	9,425	8,302	6,076	7,066
Interest income	439	584	3,261	3,757
Interest expense		–	(17)	(17)
Other expenses	(7,886)	(9,682)	(3,407)	(3,351)
Profit/(loss) from continuing operations	1,978	(796)	5,913	7,455
Profit/(loss) from discontinued operations				
Profit/(loss) for period	1,978	(796)	5,913	7,455
Other comprehensive income				
Total comprehensive income	1,978	(796)	5,913	7,455
Share of income – Council (%)	8.4%	7.2%	13.9%	14.3%
Profit/(loss) – Council (\$)	167	(57)	819	1,066
Total comprehensive income – Council (\$)	167	(57)	819	1,066
Dividends received by Council			340	272

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Interests in other entities (Continued)

\$ '000

	Civic Risk Mutual		Civic Risk West	
	2018	2017	2018	2017
Summarised Statement of cash flows				
Cash flows from operating activities	903	(1,115)	113	3,219
Cash flows from investing activities	(250)	(1)	1,510	(2,396)
Cash flows from financing activities		–	(1,537)	(847)
Net increase (decrease) in cash and	653	(1,116)	86	(24)

Accounting policy for joint arrangements

The Council has determined that it has only joint venture arrangement.

Joint ventures

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

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

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

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

(c) County Councils

Council is not a member of any county councils.

(d) Associates

Council has no interest in any associates.

(e) Unconsolidated structured entities

Council has no unconsolidated structured entities

Liverpool City Council

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

Note 18. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	8,630	1,846
Plant and equipment		273
Car Parks	297	–
Drainage	770	269
Parks	2,255	263
Roads	1,663	613
CBD Revitalisation	–	5,288
Other – IT Equipment	575	95
Total commitments	14,190	8,647
These expenditures are payable as follows:		
Within the next year	14,190	8,647
Total payable	14,190	8,647
Sources for funding of capital commitments:		
Unrestricted general funds	10,021	6,942
Sect 64 and 7.11 funds/reserves	1,534	156
Unexpended grants	2,180	849
Externally restricted reserves	57	224
Internally restricted reserves	398	476
Total sources of funding	14,190	8,647
(b) Finance lease commitments		
(c) 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	1,445	1,126
Later than one year and not later than 5 years	760	1,168
Total non-cancellable operating lease commitments	2,205	2,294
b. Non-cancellable operating leases include the following assets:		
Office Rentals, Motor Vehicle Leases and Property Lease		
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.		

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

I. Civic Risk West and Civic Risk Mutual

Council is member of Civic Risk West and Civic Risk Mutual schemes providing 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 and Liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation and finalisation of claims incurred but not reported to 30 June 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.

II. Bank Guarantees

Workers Compensation Self Insurance

Council is a self-insurer for Workers Compensation and as a condition of its self-insurance license requires either a Term Deposit or Bank Guarantee to be held based on Actuarial Assessment.

Council Actuarial Assessment as at 30 June 2018 recommended that the current Bank Guarantee of \$1.966 million be increased to \$2.12 million. At the time of preparing the Annual Financial Statements the actuarial assessment and the recommended increase had not been reviewed and confirmed by State Insurance Regulatory Authority (SIRA).

Sydney Water Corporation

Council undertakes various roadworks in the Liverpool LGA which may, in some instances, require relocating Water mains belonging to Sydney Water Corporation. Prior to commencement of the work Council is required to lodge a bank guarantee or provide a cash bond to Sydney Water Corporation. As at 30 June 2018, Sydney Water

Corporation held bank guarantees for a total amount of \$1,431k issued in its favour by Council bank.

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.

1. Council has identified potential future claims resulting from non-compliance to building standards. Council engaged a consultant to review the process and required rectification works. At the time of reporting, a reliable estimate of potential liability is not available.

2. Council has identified future claims in relation to development restrictions as a result of land rezoning. Council and its legal representatives are working with affected land owners to resolve the claims. At the time of reporting a reliable estimate of potential liability is not available.

3. The Environment Protection Authority (EPA) audited several sites within the local government area and identified hazardous materials which requires remediation works. Council progressed works on priority sites, however the extent of remediation works required on other remaining sites is yet to be confirmed by EPA. Cost to Council to carry out these works is not known.

4. Council has been notified of Common Law Workers Compensation Claim proceedings. Cost of Compensation for economic loss due to on-going incapacity to work as a result of the injury at work is not known.

5. Liverpool City Council jointly with Canterbury-Bankstown Council is in legal dispute with the Federal Government over the funding to repair a footbridge at Voyager Point. An engineering condition assessment conducted in 2015 revealed that significant repairs required to the bridge that is owned by the Federal Government. Litigation is on-going.

6. Council in collaboration with NSW State Government is participating in Moorebank Voluntary Acquisition Scheme which involves progressive acquisition of 175 properties within the floodway of the Georges River. To date Council has purchased

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Contingencies and other assets/liabilities not recognised (continued)

116 properties and 59 properties remain to be purchased to complete the scheme and is currently projected to take another 50-70 years. The cost of acquisition is shared by the Council (33%) and NSW State Government (67%). At the time of reporting a reliable cost exposure to Council is not available.

7. The Land Environment Court in an appeal decision has ruled against a Council Planning determination. The plaintiff is foreshadowing a claim from Council of compensation for potential losses. Councils exposure is not known.

8. In September 2016, Council entered into a Project Development Agreement with Built Development Pty Limited to develop the mixed-use Liverpool Civic Place project. The commencement of the project is contingent on gazettal of Liverpool LEP 2008 Amendment 52, failing which either party may serve a notice rescinding this deed. Following this event, the deed allows for Built to claim the cost of preparation and lodgement of the project master plan. At the time of reporting, both parties are in agreement that the delay is due to reasons outside Councils control and there is no indication of either party exercising their right to terminate.

(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 (& subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

Fines & 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 at year end is to accrue a percentage of outstanding notices based on history or actual fines

(iii) American Express Corporate Card Reward Points

Council earns reward points on its American Express Corporate Card Program and is only available for redemption for business travel and accommodation purposes. The value of points redeemed during the year is recognised as notional income and expenditure. At the end of reporting period, Council had accrued balance of 3 million points with an estimated value of \$3k which was not recognised as an asset.

Liverpool City Council

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

Note 20. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	104,005	47,081	104,005	47,081
Investments				
– 'Designated at fair value on initial recognition'	66,341	74,207	66,341	74,207
– 'Held to maturity'	87,000	60,000	87,000	60,000
Receivables	16,517	18,298	16,517	18,298
Total financial assets	273,863	199,586	273,863	199,586
Financial liabilities				
Payables	28,427	28,066	28,427	27,941
Loans/advances	32,707	32,446	25,317	26,190
Total financial liabilities	61,134	60,512	53,744	54,131

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 market 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.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

2018	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in market values	6,634	6,634	(6,634)	(6,634)
Possible impact of a 1% movement in interest rates	1,373	1,373	(1,373)	(1,373)
2017				
Possible impact of a 10% movement in market values	7,420	7,420	(7,420)	(7,420)
Possible impact of a 1% movement in interest rates	1,033	1,033	(1,033)	(1,033)

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	48%	0%	65%
Overdue	100%	52%	100%	35%
	100%	100%	100%	100%

Liverpool City Council

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

Note 20. Financial risk management (continued)

\$ '000

(ii) Ageing of receivables – value

Rates and annual charges

Current

< 1 year overdue

1 – 2 years overdue

2 – 5 years overdue

> 5 years overdue

Other receivables

Current

0 – 30 days overdue

31 – 60 days overdue

61 – 90 days overdue

> 91 days overdue

	2018	2017
Current	–	–
< 1 year overdue	4,447	4,164
1 – 2 years overdue	529	75
2 – 5 years overdue	608	671
> 5 years overdue	428	436
	6,012	5,346
Other receivables		
Current	5,919	8,563
0 – 30 days overdue	3,950	3,219
31 – 60 days overdue	1,252	1,028
61 – 90 days overdue	231	63
> 91 days overdue	916	287
	12,268	13,160

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term at a fixed interest rate.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 – 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2018							
Trade/other payables	4.94%	9,051	19,376			28,427	28,427
Loans and advances	4.94%		7,554	24,862	5,189	37,605	32,707
Total financial liabilities		9,051	26,930	24,862	5,189	66,032	61,134
2017							
Trade/other payables	4.16%	9,546	18,520			28,066	28,066
Loans and advances	4.16%		7,342	22,033	8,284	37,659	32,446
Total financial liabilities		9,546	25,862	22,033	8,284	65,725	60,512

Liverpool City Council

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

Note 21. Material budget variations

\$ '000

Council's original financial budget for 2017/18 was adopted by the Council on 29 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	122,084	124,706	2,622	2%	F
User charges and fees	18,995	22,026	3,031	16%	F
The variation is mainly due to increase in planning & building regulatory fees which is consistent with growth in the Liverpool LGA					
Interest and investment revenue	5,235	6,453	1,218	23%	F
The variation is mainly due to higher than planned monthly average investment portfolio holdings throughout the year					
Other revenues	8,650	11,571	2,921	34%	F
The variation mainly comprised of the following: + \$2.1m increase in parking and other fines + \$0.6m increase in property lease rentals					
Operating grants and contributions	16,185	18,013	1,828	11%	F
The variation mainly comprised of the following: + \$0.9m RMS grant for East Coast storm damage repairs + \$0.7m seed funding from NSW Department of Planning for Western City Planning Partnership					
Capital grants and contributions	73,722	116,134	42,412	58%	F
The variation mainly comprised of the following: + \$41m unbudgeted non-cash developers dedication of land development assets and land under roads + \$24.8m increase in s7.11 developer contributions + \$14.3m grant from NSW Department of Planning for special infrastructure assets - \$6.7m delay in Benara Road extension grant					
Net gains from disposal of assets	6,155	–	(6,155)	(100%)	U
Delays in planned disposal of identified Council property					
Joint ventures and associates - net profits	325	646	321	99%	F
Council adopted a conservative budgeting approach					

Liverpool City Council

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

Note 21. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	66,218	63,912	2,306	3%	F
Borrowing costs	1,573	1,613	(40)	(3%)	U
Materials and contracts	59,275	57,844	1,431	2%	F
Depreciation and amortisation	38,618	37,572	1,046	3%	F
Impairment of investments	–	–	–	0%	F
Other expenses	12,522	12,072	450	4%	F
Net losses from disposal of assets	–	6,404	(6,404)	(100%)	U
The variation comprised of the following:					
+ \$3.9m road surface write-off					
+ \$1.8m adjustment for relinquishing care & control of crown land					
+ \$1.3m disposal of land recognised as both operational & community land					
\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		

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

Cash flows from operating activities	84,198	130,667	46,469	55.2%	F
The variation mainly comprised of the following:					
+ \$24.8m higher than budget inflow from s7.11 developer contributions					
+ \$14.3m grant from NSW Department of Planning for special infrastructure assets					
Cash flows from investing activities	(104,277)	(73,704)	30,573	(29.3%)	F
The variation mainly comprised of the following:					
+ \$39.1m delays in planned land acquisitions					
+ \$37.5m delay in construction of Liverpool Civic Place					
- \$6m delay in acquisition of 1 Hoxton Park Road					
- \$58.1m net cash movement between acquisition and disposal (on maturity) of investments					
Cash flows from financing activities	19,194	(39)	(19,233)	(100.2%)	U
The variation is mainly due to delay in NSW Tcorp borrowings					

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement

The Council measures the following assets and liabilities at fair value on a recurring basis.

- Financial assets - Investments
- Investment property
- Infrastructure, property, plant and equipment

Fair value hierarchy

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 - Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Council:

30 June 2018	Note	Level 1 Active Market (\$'000)	Level 2 Significant observable inputs (\$'000)	Level 3 Significant unobservable inputs (\$'000)	Total (\$'000)
Investments	6b	-	66,341		66,341
Infrastructure, Property, Plant and Equipment	10				
- Operational land		-	-	238,289	238,289
- Community land		-	-	348,916	348,916

Liverpool City Council

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

Note 22. Fair value measurement (continued)

30 June 2018	Note	Level 1 Active Market (\$'000)	Level 2 Significant observable inputs (\$'000)	Level 3 Significant unobservable inputs (\$'000)	Total (\$'000)
- Land under roads		-	-	17,946	17,946
- Buildings (Specialised and non-specialised)		-	-	217,558	217,558
- Roads, Bridges, Footpaths		-	-	1,089,802	1,089,802
- Storm water drainage		-	-	432,754	432,754
- Other Assets		-	-	151,160	151,160

30 June 2017	Note	Level 1 Active Market (\$'000)	Level 2 Significant observable inputs (\$'000)	Level 3 Significant unobservable inputs (\$'000)	Total (\$'000)
Investments	6b	-	74,207	-	74,207
Infrastructure, Property, Plant and Equipment	10				
- Operational land		-	-	189,174	189,174
- Community land		-	-	357,964	357,964
30 June 2017	Note	Level 1 Active Market (\$'000)	Level 2 Significant observable inputs (\$'000)	Level 3 Significant unobservable inputs (\$'000)	Total (\$'000)

Liverpool City Council

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

Note 22. Fair value measurement (continued)

- Land under roads		-	-	16,099	16,099
- Buildings (Specialised and non-specialised)		-	-	174,584	174,584
- Roads, Bridges, Footpaths		-	-	1,047,026	1,047,026
- Storm water drainage		-	-	415,516	415,516
- Other Assets		-	-	130,586	130,586

The Council's financial assets relate investments in Floating Rate Notes and Mortgage Backed Securities. Investments in Floating Rate Notes and Mortgage Backed Securities are reported at market values. The information included under 6(b) for Term Deposits is considered sufficient to meet the Fair Value disclosures requirements.

The Council does not have any liabilities which are fair valued.

Financial Assets - Investments

Investments are measured at Level 2 Inputs.

Investments in Floating Rate Notes and Reverse Back Mortgages are carried at fair value. Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

The valuation method used for the reporting year for financial assets listed above is consistent with prior years' measurement techniques.

Infrastructure, Property, Plant & Equipment

Council reported Infrastructure, Property, Plant and Equipment using Level 3 Inputs- Unobservable inputs for which market data are not readily available.

Valuation processes

Council's infrastructure assets (Roads, Drainage, Bridges, Footpath and Parks assets) are annually indexed to reflect their current replacement cost (CRC). The written down value of Plant & Equipment, Office Equipment, Heritage and Library books are considered a close proxy for their fair values therefore are not revalued. Assets. A

Liverpool City Council

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

Note 22. Fair value measurement (continued)

comprehensive revaluation of Infrastructure assets and Building, Community, Operational Land and Land under Roads assets is carried out every 5 years in accordance with the fair valuation policy as mandated by the Office of Local Government. Further details of the revaluations policy is provided under note 1(l).

Buildings

The Council engages external, independent and qualified valuers to determine the fair value of the Council's buildings. Buildings were last revalued in the 30 June 2018 financial year and the fair values were determined by Scott Fullarton Valuations Pty Ltd.

Gross Value of each building, which is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. The key unobservable input being the rate square metre has been benchmarked to construction costs of similar properties across the industry.

Land (Operational, Community and Land Under Road)

The Council engages external, independent and qualified valuers to determine the fair value of Operational Land. Operational land was last revalued as at 30 June 2018. Community Land is valued using the Valuer General Valuations and Land Under Road (LUR) is valued at the average unit rate derived from Valuer General (VG) land values discounted by 90%.

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

The fair value for community land has been determined using the Valuer General (VG) land values. Land under roads has been valued based on the average Valuer General (VG) land values discounted by 90%.

Each class of assets for Property Plant and Equipment are revalued on a 3 to 5 year cycle using various methods; Independent external valuation for Buildings, Operational Land and Land under Road, Valuer General land values for Community Land, depreciated cost for Plant & Equipment, library books etc. Council uses external consultants for current replacement unit rates to fair value Infrastructure assets (Roads, Bridges Drainage etc.).

Current use of some of the assets noted above reflects the highest and best use.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Related party transactions

\$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly comprising of the following :

- (a) Mayor;
- (b) Councillors;
- (c) Chief Executive Officer;
- (d) Directors; and
- (e) The Responsible Accounting Officer

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

	2018	2017
Compensation:		
Short-term benefits	2,185	2,668
Termination benefits	–	541
Total	2,185	3,209

b. Other transactions with KMP and their related parties/ entities

Council has determined that transactions at arm's length with 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.

Liverpool City Council

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

Note 24. Events occurring after the reporting date

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

Liverpool City Council

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

Note 25. 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)
Drainage	7,501	16,266	114	367	(2,029)	–	22,105	–
Parking	3,958	1,426	–	119	(3)	–	5,500	–
Open space	1	–	–	–	–	(1)	–	–
Community facilities	–	–	–	–	–	–	–	–
Roads & Traffic Facilities	1,890	10,053	939	579	(4,651)	–	7,871	–
Local Open Space	20,631	16,482	522	716	(6,306)	–	31,523	–
Embellishment of Local Open Space	20,784	8,320	71	590	(349)	–	29,345	–
Community Facilities (Local)	27,750	371	–	672	–	–	28,793	–
Community Facilities (District)	4,448	553	–	114	(149)	–	4,966	–
Tree Planting Other	6,393	46	–	154	(16)	–	6,577	–
Professional & Legal Fees (Other)	1,906	241	4	48	(108)	–	2,087	–
Administration Fees	(1,209)	360	13	3	(299)	(1)	(1,146)	–
Implementation	3,643	129	–	89	–	–	3,861	–
Other- Moorebank Intermodal	644	3,578	–	16	–	–	4,238	–
S7.11 contributions – under a plan	98,340	57,825	1,663	3,467	(13,910)	(2)	145,720	–
S7.12 levies – under a plan	–	–	–	–	–	–	–	–
Total S7.11 and S7.12 revenue under plans	98,340	57,825	1,663	3,467	(13,910)	(2)	145,720	–
S64 contributions	–	–	–	–	–	–	–	–
Total contributions	98,340	57,825	1,663	3,467	(13,910)	(2)	145,720	–

Liverpool City Council

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

Note 25. Statement of developer contributions (continued)

\$ '000

\$7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Liverpool City Centre Contribution 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	3,958	1,426		119	(3)		5,500	
Community Facilities (District)	316	102		9			427	
Embellishment of Local Open Space	7,667	5,278		239	(162)	–	13,022	
Administration Fees	3			–	(3)		–	
Total	11,944	6,806	–	367	(168)	–	18,949	–

CONTRIBUTION PLAN - 2009 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					
Drainage	1,784	5,642		114	(1,288)		6,252	
Roads & Traffic Facilities	(14,669)	3,906		112	(734)		(11,385)	
Local Open Space	9,396	1,934		325	(442)		11,213	
Community Facilities (Local)	23,195	117		561	–		23,873	
Community Facilities (District)	4,132	451		105	(149)	–	4,539	
Embellishment of Local Open Space	7,987	1,732		211	(187)		9,743	
Tree Planting Other	6,393	46		154	(16)	–	6,577	
Professional & Legal Fees (Other)	1,432	143		36	(44)	–	1,567	
Administration Fees	(949)	116		1	(110)		(942)	
Implementation	3,643	129		89	–	–	3,861	
Total	42,344	14,216	–	1,708	(2,970)	–	55,298	–

Liverpool City Council

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

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Edmondson Park

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	4,524	869	114	120	–		5,513	
Roads & Traffic Facilities	16,136	3,550	939	426	(3,917)		16,195	
Local Open Space	10,749	3,613	522	265	(5,120)	–	9,507	
Community Facilities (Local)	4,520	111		109	–		4,740	
Embellishment of Local Open Space	5,019	840	71	134	–	–	5,993	
Professional & Legal Fees (Other)	474	98	4	12	(64)	–	520	
Administration Fees	(300)	30	13		(49)	–	(319)	
Total	41,122	9,111	1,663	1,066	(9,150)	–	42,149	–

CONTRIBUTION PLAN - Austral Leppington North

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,193	4,987		70	(741)		5,509	
Open space	1					(1)	–	
Community Facilities (Local)	35	143		2		–	180	
Roads & Traffic Facilities	423	952		19			1,394	
Local Open Space	486	8,669		99	(744)	1	8,511	
Embellishment of Local Open Space	111	378		5			494	
Administration Fees	37	123		1	(99)		62	
Total	2,286	15,252	–	196	(1,584)	–	16,150	–

Liverpool City Council

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

Note 25. Statement of developer contributions (continued)

\$ '000

\$7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER - Moorebank Intermodal

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other- Moorebank Intermodal	644	3,578		16			4,238	
Total	644	3,578	-	16	-	-	4,238	-

CONTRIBUTION PLAN NUMBER - East Leppington

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	4,768		63			4,831	
Roads & Traffic Facilities	-	1,645		22			1,667	
Local Open Space	-	2,266		27		(1)	2,292	
Embellishment of Local Open Space	-	92		1			93	
Administration Fees	-	91		1	(38)	(1)	53	
Total	-	8,862	-	114	(38)	(2)	8,936	-

Note

Council levies Section 7.11/ 7.11A Contributions upon various development across the Council area through the required Contributions Plans. As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans. As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds. These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the matter and timing set out in those Plans.

Liverpool City Council

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

Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	9,941	5.43%	2.40%	-2.63%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	182,954				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	164,941	55.15%	54.52%	55.03%	> 60.00%
Total continuing operating revenue ⁽¹⁾	299,088				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	82,772	2.11x	1.94x	1.76x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	39,253				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	49,126	6.42x	4.71x	3.70x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7,652				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	6,012	4.61%	4.30%	4.25%	< 5% metro
Rates, annual and extra charges collectible	130,441				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	191,005	15.16 mths	8.5 mths	7.9 mths	> 3 mths
Payments from cash flow of operating and financing activities	12,601				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 13 and 14.

⁽⁴⁾ Refer to Note 13(b) and 14(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Liverpool City Council

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

Note 26(b). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 5.43%</p> <p>The Operating Performance Ratio improved from previous year mainly due to tight budgetary controls put in place during the year.</p> <p>On a three year average, the Council achieved 1.73% operating performance ratio compared to $> 0\%$ benchmark to demonstrate financial sustainability.</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 55.15%</p> <p>Own source operating revenue as a percentage of total operating revenue is adversely impact by significant levels of developer contributions (both cash & non-cash) which is reflective of the growth activities in the LGA.</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 2.11x</p> <p>The Unrestricted Current Ratio (Liquidity Ratio) improved from previous periods and remained above the industry benchmark. This ratio measures Council's ability to meet short term obligations from unrestricted current assets as they fall due.</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>

Liverpool City Council

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

Note 26(b). Statement of performance measures – consolidated results (graphs)

<p>4. Debt service cover ratio</p> <p>Ratio (x)</p> <p>2016 2017 2018</p> <p>Benchmark: — Minimum ≥ 2.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 6.42x</p> <p>The Debt Cover Ratio indicates Council's ability to service its debt obligation by at least 6.4 times more than annual principal and interest payments on its loan.</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <p>Ratio %</p> <p>2016 2017 2018</p> <p>Benchmark: — Maximum $< 5.00\%$</p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 4.61%</p> <p>The Rates and Annual Charges Outstanding percentage Ratio remained below the industry benchmark, indicating timely and effective recovery actions and processes are in place</p> <p>Ratio is within Benchmark Ratio is outside Benchmark</p>
<p>6. Cash expense cover ratio</p> <p>Ratio (mths)</p> <p>2016 2017 2018</p> <p>Benchmark: — Minimum ≥ 3.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 15.16 mths</p> <p>The cash Expense Cover Ratio indicates Council has cash reserves necessary to pay for its ongoing Operating Expenses without additional cash inflows for about 14 months</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>

Liverpool City Council

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

Note 27. Council information and contact details

Principal place of business:

33 Moore Street
LIVERPOOL NSW 2170

Contact details

Mailing address:

Locked Bag 7064
LIVERPOOL BC NSW 1871

Opening hours:

8:30am - 5:00pm
Monday to Friday

Telephone: 1300 362 170

Internet: <http://www.liverpool.nsw.gov.au>

Email: lcc@liverpool.nsw.gov.au

Officers

CHIEF EXECUTIVE OFFICER

Kiersten Fishburn

RESPONSIBLE ACCOUNTING OFFICER

Vishwa Nadan

PUBLIC OFFICER

Ellen Whittingstall

AUDITORS

Audit Office of NewSouth Wales
Level15, 1 Margaret Street Sydney NSW 2000

Elected members

MAYOR

Wendy Waller

COUNCILLORS

Ali Karnib
Tony Hadchiti
Charisma Kaliyanda
Karess Rhodes
Gus Balloot
Mazhar Hadid
Nathan Hagarty
Tina Ayyad
Geoff Shelton
Peter Harle

Other information

ABN: 84 181 182 471



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Liverpool City Council

To the Councillors of the Liverpool City Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. 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 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Lawrissa Chan
Director, Financial Audit Services

29 October 2018
SYDNEY

Ms Wendy Waller
Mayor
Liverpool City Council
33 Moore Street
LIVERPOOL NSW 2170

Contact: Lawrissa Chan
Phone no: 02 9275 7255
Our ref: D1823707/1679

29 October 2018

Dear Ms Waller

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

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

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

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

INCOME STATEMENT

Operating result

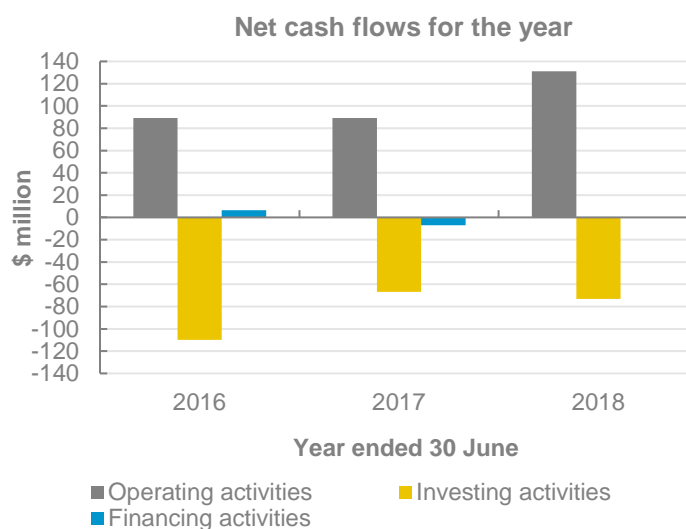
	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	124.7	118.9	↑ 4.9
Grants and contributions revenue	134.1	128.8	↑ 4.1
Operating result for the year	116.9	105.6	↑ 10.7
Net operating result before capital amounts	0.8	(2.1)	↑ 138

The following comments are made in respect of Council's operating result for the year:

- Rates and annual charges revenue was \$124.7 million (\$118.9 million for the year ended 30 June 2017). The movement of \$5.8 million (4.9%) is mainly due to the approved rate pegging increase of 1.5% granted by the Minister for Local Government and the rise in the total number of rateable properties. There was also a \$2.4 million increase in annual charges from domestic waste management services.
- Grants and contributions revenue was \$134.1 million (\$128.8 million for the year ended 30 June 2017). The movement of \$5.3 million (4.1%) is mainly attributable to the increase in transport grant funding (other roads and bridges component) of \$14.9 million and growth in developer contributions of \$17.0 million. This was offset by a decrease in dedicated assets of \$20.0 million and financial assistance grants of \$4.6 million.
- Council's net operating result was a surplus of \$116.9 million (\$105.6 million surplus for the year ended 30 June 2017). The movement of \$11.3 million (10.7%) was due to an increase in grants and contributions provided for capital purposes of \$8.5 million and the increase in rates and annual charges of \$5.8 million. This is offset by employee benefits expense of \$3.8 million. The Council budgeted for a surplus of \$73.1 million.
- Council's net operating result before capital grants and contributions was a surplus of \$0.8 million (\$2.1 million deficit for the year ended 30 June 2017). The movement of \$2.9 million (138%) was mainly due to the increase in rates and annual charges of \$5.8 million, which is offset by employee benefits expense of \$3.8 million. The Council budgeted for a deficit of \$577,000.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$104.0 million (\$47.1 million for the year ended 30 June 2017). There was a net increase in cash and cash equivalents of \$56.9 million at 30 June 2018.
- Net cash provided by operating activities increased by \$41.4 million. This is mainly due to the increase in cash receipts from grants and contributions of \$30.4 million and rates and annual charges of \$5.4 million. There was also a reduction in cash payments for materials and contracts of \$4.6 million.
- Net cash used in investing activities increased by \$6.8 million. This is mainly due to an increase in purchases of investment securities of \$54.6 million. This was offset by the sale of investments of \$42.9 million and infrastructure, property, plant and equipment of \$4.1 million.
- Net cash used in financing activities decreased by \$6.9 million. This is mainly due to \$6.0 million of proceeds from borrowing and advances.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	192.6	125.0	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The movement in Council's externally restricted cash of \$67.6 million is primarily due to the increase in: <ul style="list-style-type: none"> developer contributions of \$47.4 million specific purpose unexpended capital grants of \$15.3 million domestic waste management of \$4.8 million. Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in Council's internally restricted cash of \$8.6 million is primarily due to the increase in the loan reserve of \$5.9 million and the general property reserve of \$2.7 million. Unrestricted cash and investments was \$48.0 million, which is available to provide liquidity for day-to-day operations of the Council. There was minimal movement in the unrestricted cash balance.
Internal restrictions	16.7	8.1	
Unrestricted	48.0	48.2	
Cash and investments	257.3	181.3	

Debt

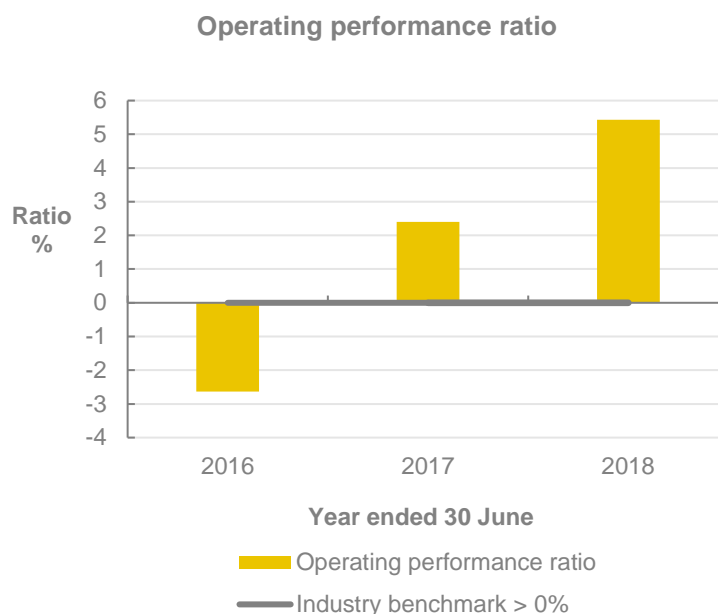
- Council has \$32.7 million of borrowings as at 30 June 2018 (2017: \$32.4 million).
- Council has bank overdraft facilities of \$4 million (2017: \$0.5 million) which remained unutilised as at 30 June 2018 (2017: Nil).

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 26 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

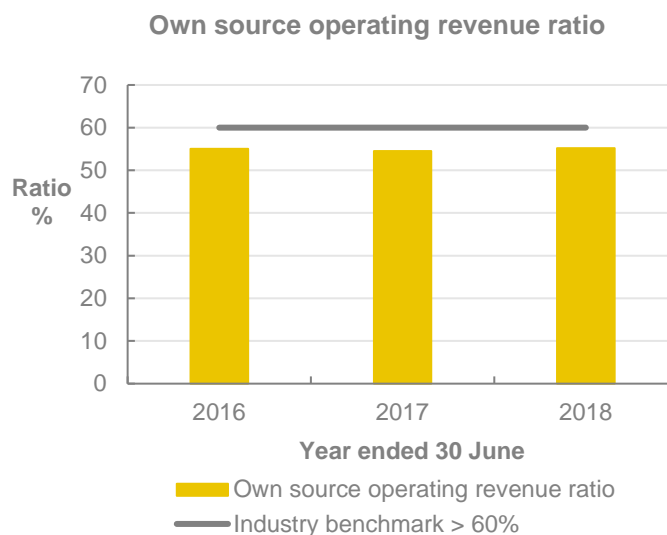
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than 0%.
- Councils' operating performance ratio of 5.4% is above the industry benchmark of greater than 0%. This indicates the Council can contain operating expenditure within operating revenue.
- The operating performance ratio increased to 5.4% (2017: 2.4%) mainly due to the increase in rates and annual charges.



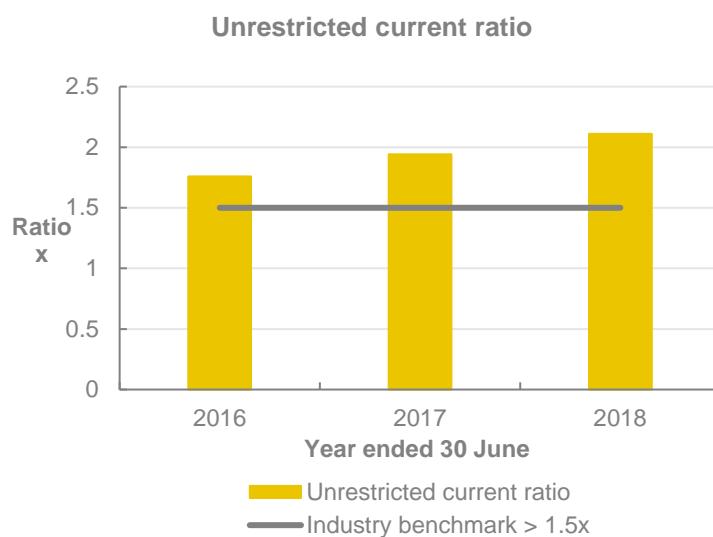
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60%.
- The Council's own source operating revenue ratio of 55.2% is below the industry benchmark of 60%. This indicates that council is more reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio remained steady over the past three years.



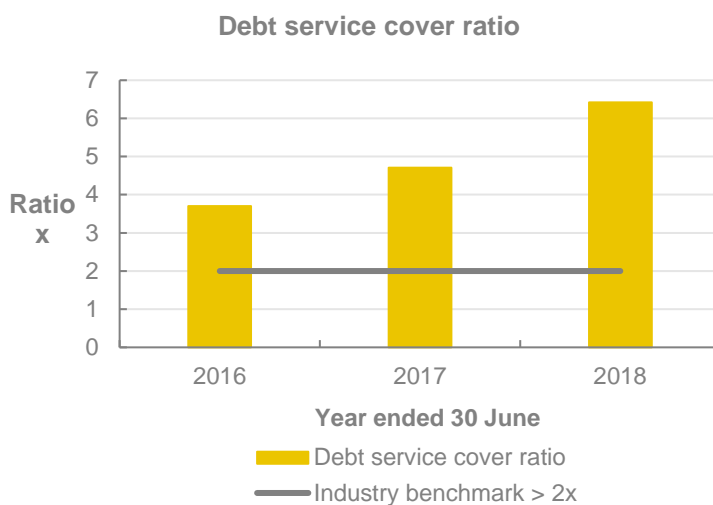
Unrestricted current ratio

- 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 ratio excludes current assets and liabilities subject to external restrictions. The benchmark set by OLG is greater than 1.5 times.
- The Council's liquidity ratio of 2.1 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio of 2.1 times (2017: 1.9 times) increased as there was an increase in current assets from cash and investments.



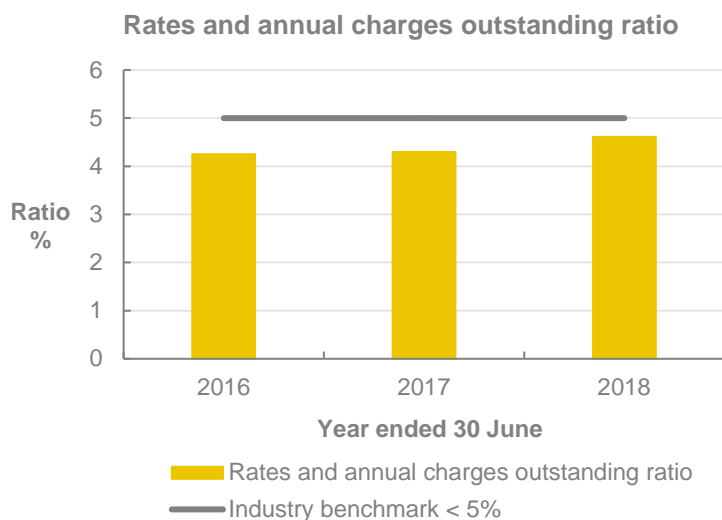
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council's debt service cover ratio of 6.4 times is greater than the industry benchmark of greater than 2 times. The ratio indicates that Council has adequate operating cash to fund its debt obligations.
- The Council's debt service cover ratio of 6.4 times (2017: 4.7 times) increased due to an increase in rates and annual charges and grants and contributions provided for operating purposes.



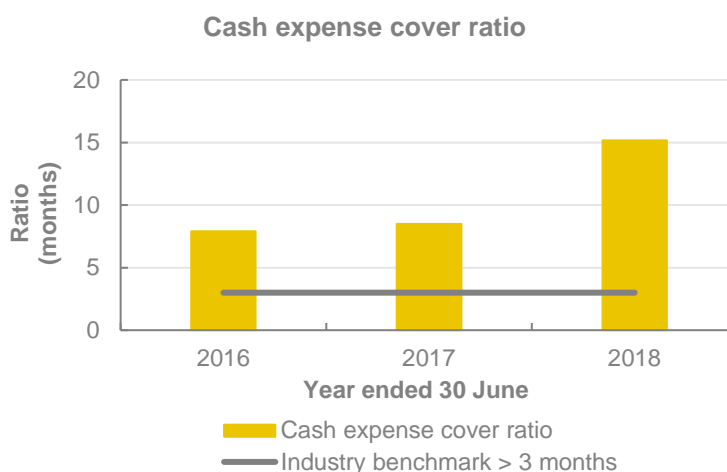
Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5% for metro councils.
- The Council's rates and annual charges outstanding ratio of 4.6% is within the industry benchmark of less than 5% for metropolitan councils.
- The rates and annual charges ratio has remained consistent over the last three years, indicating that the Council's rate recovery measures continue to be effective in collecting and reducing outstanding debts.



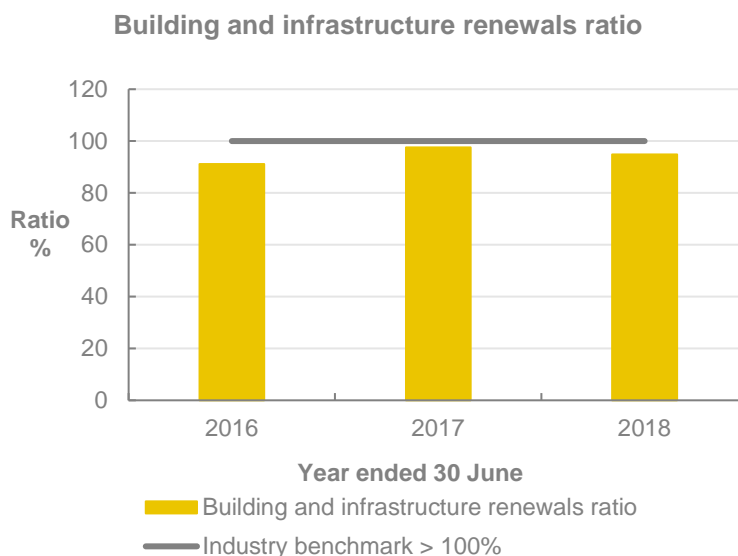
Cash expense cover ratio

- The cash expense cover ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council's cash expense cover ratio was 15.2 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 15.2 months of operating cash expenditure without additional cash inflows at 30 June 2018.
- The Council's cash expense cover ratio increased to 15.2 months (2017: 8.5 months) due to the increase in cash and cash equivalents from grants and contributions and rates and annual charges.



Building and infrastructure renewals ratio (unaudited)

- The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100%. This ratio is sourced from council's Special Schedule 7 which has not been audited.
- The Council's building and infrastructure renewals ratio of 94.8% is below the industry benchmark of greater than 100%.
- The Council needs to be aware of the deteriorating impact on infrastructure assets if this underperformance is sustained over an extended period.



OTHER MATTERS

New accounting standards implemented

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 13(c).

Legislative compliance

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

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

Lawrissa Chan
Director, Financial Audit Services

cc: Kiersten Fishburn, Chief Executive Officer
Andrew McLeod, Chair of Audit, Risk and Improvement Committee
Tim Hurst, Chief Executive, Office of Local Government

Liverpool City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018



Liverpool City Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Other Business Activities	3
Statement of Financial Position – Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5
4. 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).
-

Liverpool City Council

Special Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 29 October 2018.



Wendy Waller
Mayor

Ali Karnib
Deputy Mayor

Kiersten Fishburn
Chief Executive Officer

Vishwa Nadan
Responsible Accounting Officer

Liverpool City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

Carpark

Category 2

\$ '000	Category 2	
	Actual 2018	Actual 2017
Income from continuing operations		
User charges	1,663	1,370
Total income from continuing operations	1,663	1,370
Expenses from continuing operations		
Employee benefits and on-costs	76	67
Materials and contracts	134	158
Depreciation, amortisation and impairment	37	36
Other expenses	1,623	1,129
Total expenses from continuing operations	1,870	1,390
Surplus (deficit) from continuing operations before capital amounts	(207)	(20)
Surplus (deficit) from continuing operations after capital amounts	(207)	(20)
Surplus (deficit) from all operations before tax	(207)	(20)
SURPLUS (DEFICIT) AFTER TAX	(207)	(20)
Plus opening retained profits	(2,526)	(2,506)
Closing retained profits	(2,733)	(2,526)
Return on capital %	-83.1%	-7.0%
Subsidy from Council	214	27

Liverpool City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

Carpark
Category 2

\$ '000	Actual 2018	Actual 2017
ASSETS		
Current assets		
Total Current Assets	–	–
Non-current assets		
Infrastructure, property, plant and equipment	249	284
Total non-current assets	249	284
TOTAL ASSETS	249	284
LIABILITIES		
Current liabilities		
Provisions	31	27
Total current liabilities	31	27
Non-current liabilities		
Payables	2,950	2,783
Total non-current liabilities	2,950	2,783
TOTAL LIABILITIES	2,981	2,810
NET ASSETS	(2,732)	(2,526)
EQUITY		
Accumulated surplus	(2,732)	(2,526)
Council equity interest	(2,732)	(2,526)
TOTAL EQUITY	(2,732)	(2,526)

Liverpool City Council

Special Purpose Financial Statements for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6

Liverpool City Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

Nil

Category 2

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

Carpark - Warren Service Way

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 calculated and applied to 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 calculated and applied where required to all Council-nominated business activities (this does not include Council's non-business activities):

Liverpool City Council

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

Note 1. Significant accounting policies (continued)

(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) Dividends

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Liverpool City Council

To the Councillors of the Liverpool City Council

Opinion

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

The Declared Business Activity of the Council is:

- Carpark.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Lawrissa Chan
Director, Financial Audit Services

29 October 2018
SYDNEY

Liverpool City Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

LIVERPOOL
CITY
COUNCIL



Liverpool City Council

Special Schedules for the year ended 30 June 2018

Contents

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Special Schedules ¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2	Permissible income for general rates	4
Special Schedule 7	Report on Infrastructure Assets	8

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

Background

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

Liverpool City Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	938	–	–	(938)
Administration	38,965	4,232	–	(34,733)
Public order and safety				
Fire service levy, fire protection, emergency services	2,054	189	–	(1,865)
Enforcement of local government regulations	2,069	4,276	–	2,207
Animal control	1,182	361	–	(821)
Other	558	–	–	(558)
Total public order and safety	5,863	4,826	–	(1,037)
Health	955	901	–	(54)
Environment				
Noxious plants and insect/vermin control	151	–	–	(151)
Other environmental protection	830	1,803	–	973
Solid waste management	30,414	30,157	–	(257)
Street cleaning	735	–	–	(735)
Drainage	5,906	1,550	113	(4,243)
Total environment	38,036	33,510	113	(4,413)
Community services and education				
Administration and education	1,980	208	–	(1,772)
Social protection (welfare)	1,320	276	20	(1,024)
Aged persons and disabled	136	33	–	(103)
Children's services	5,609	6,476	–	867
Total community services and education	9,045	6,993	20	(2,032)
Housing and community amenities				
Street lighting	2,810	780	–	(2,030)
Town planning	10,378	15,098	57,837	62,557
Other community amenities	3,379	571	33	(2,775)
Total housing and community amenities	16,567	16,449	57,870	57,752

Liverpool City Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	8,990	658	85	(8,247)
Museums	166	–	–	(166)
Art galleries	1,439	399	–	(1,040)
Community centres and halls	3,485	1,261	15	(2,209)
Other cultural services	31	2	–	(29)
Sporting grounds and venues	72	–	400	328
Swimming pools	1,525	53	–	(1,472)
Parks and gardens (lakes)	14,822	–	100	(14,722)
Other sport and recreation	6,305	1,031	–	(5,274)
Total recreation and culture	36,835	3,404	600	(32,831)
Transport and communication				
Urban roads (UR) – local	24,242	3,180	56,524	35,462
Bridges on UR – local	23	–	46	23
Parking areas	803	3,640	444	3,281
Footpaths	1,281	412	47	(822)
Other transport and communication	5,464	168	145	(5,151)
Total transport and communication	31,813	7,400	57,532	33,119
Economic affairs				
Camping areas and caravan parks	1,785	76	–	(1,709)
Other economic affairs	1,838	2,493	–	655
Total economic affairs	3,623	2,569	–	(1,054)
Totals – functions	182,640	80,284	116,135	13,779
General purpose revenues ⁽¹⁾		102,490		102,490
Share of interests – joint ventures and associates using the equity method	–	646		646
NET OPERATING RESULT ⁽²⁾	182,640	183,420	116,135	116,915

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

(2) As reported in the Income Statement

Liverpool City Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	95,838	92,488
Plus or minus adjustments ⁽²⁾	b	954	1,947
Notional general income	$c = (a + b)$	96,792	94,435
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	2,226	1,417
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	99,018	95,852
Plus (or minus) last year's carry forward total	l	14	—
Less valuation objections claimed in the previous year	m	—	—
Sub-total	$n = (l + m)$	14	—
Total permissible income	$o = k + n$	99,032	95,852
Less notional general income yield	p	99,241	95,838
Catch-up or (excess) result	$q = o - p$	(209)	14
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	225	—
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	$t = q + r - s$	16	14

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Liverpool City Council

To the Councillors of Liverpool City Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had 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

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Lawrissa Chan
Director, Financial Audit Services

29 October 2018
SYDNEY

Liverpool City Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings											
	Admin Building	–		651	654	36,644	52,207	0%	0%	100%	0%	0%
	Aquatic Centres	639	639	555	747	18,716	45,311	0%	90%	7%	3%	0%
	Bush Fire / SES	444	444	52	119	2,270	4,108	44%	30%	3%	23%	0%
	Childcare Centres			165	348	7,646	13,403	0%	91%	9%	0%	0%
	Commercial Properties			146	89	5,986	22,090	50%	0%	50%	0%	0%
	Community Centres	946	946	823	842	45,931	67,069	29%	49%	19%	3%	0%
	Heritage Buildings			492	170	36,702	50,143	0%	85%	15%	0%	0%
	Libraries, Museums			406	352	24,650	30,864	85%	15%	0%	0%	0%
	Multi Level Car Parks			340	217	14,376	27,273	0%	65%	35%	0%	0%
	Parks Buildings / Structures	562	562	488	181	21,385	39,863	15%	42%	40%	3%	0%
	Works Depot	1,954	1,954	102	166	3,252	8,152	37%	0%	12%	51%	0%
	Sub-total	4,545	4,545	4,220	3,885	217,558	360,483	18.7%	46.8%	31.8%	2.7%	0.0%
Other	Other structures	98	98	119	336	4,869	5,681	36%	49%	14%	1%	0%
	Sub-total	98	98	119	336	4,869	5,681	36.0%	49.0%	14.0%	1.0%	0.0%
Roads	Sealed roads			7,481	8,494							
	Roads Formation	–				79,819	67,728	0%	0%	0%	0%	100%
	Sealed Roads Surface	4,158	4,158			72,265	129,602	56%	25%	10%	5%	4%
	Sealed Roads Structure	25,435	25,435			507,489	579,885	56%	25%	10%	5%	4%
	Kerb and Gutter	530	530	1,180	219	178,861	223,078	22%	45%	33%	0%	0%
	Footpaths	705	705	1,336	658	114,793	142,633	41%	27%	30%	1%	1%
	Bridges	1,491	1,491	570	32	49,087	58,296	32%	38%	24%	5%	1%
	Road Structures	174	174	659	401	46,297	62,946	10%	64%	25%	0%	1%
	Road Furniture	42	42	–	–	20,349	24,753	95%	4%	1%	0%	0%
	Off Street Carparks	185	185	114	35	20,842	24,492	29%	35%	34%	2%	0%
	Sub-total	32,720	32,720	11,340	9,839	1,089,802	1,313,413	42.7%	29.6%	17.2%	3.1%	7.5%

Liverpool City Council

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

\$'000												
Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater	Stormwater drainage											
	Reticulation Pipe	8,028	8,028	827	619	324,468	407,555	59%	28%	10%	1%	2%
	Pits	22	22	–	–	48,926	57,247	50%	45%	5%	0%	0%
	Headwalls and Culverts	370	370	–	–	10,662	13,922	37%	16%	43%	3%	1%
	Basins			295	41	38,382	34,328	32%	64%	3%	0%	1%
	Gross Pollutant Traps			253	165	10,316	10,618	48%	51%	1%	0%	0%
	Sub-total	8,420	8,420	1,375	825	432,754	523,670	55.4%	32.4%	9.7%	0.9%	1.6%
Open space/ recreational <i>Structures)</i>	Sporting Fields and Ovals	499	499	965	2,162	19,467	23,338	21%	62%	14%	2%	1%
	Parks Infrastructure Assets	138	138	270	2,367	32,654	38,728	36%	49%	14%	1%	0%
	Playground Equipment	847	847	554	541	18,022	29,209	42%	42%	10%	5%	1%
	Sub-total	1,484	1,484	1,789	5,070	70,143	91,275	34.1%	50.1%	12.7%	2.5%	0.6%
TOTAL – ALL ASSETS		47,267	47,267	18,843	19,955	1,815,126	2,294,522	41.5%	33.8%	17.6%	2.5%	4.7%

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

Liverpool City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators *					
consolidated					
1. Buildings and infrastructure renewals ratio					
Asset renewals ⁽²⁾	31,706	94.79%	97.55%	91.14%	>= 100%
Depreciation, amortisation and impairment	33,449				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	47,267	2.60%	3.17%	3.75%	< 2.00%
Net carrying amount of infrastructure assets	1,815,428				
3. Asset maintenance ratio					
Actual asset maintenance	19,955	105.90%	104.50%	105.99%	> 100%
Required asset maintenance	18,843				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	47,267	2.06%	2.49%	2.82%	
Gross replacement cost	2,294,864				

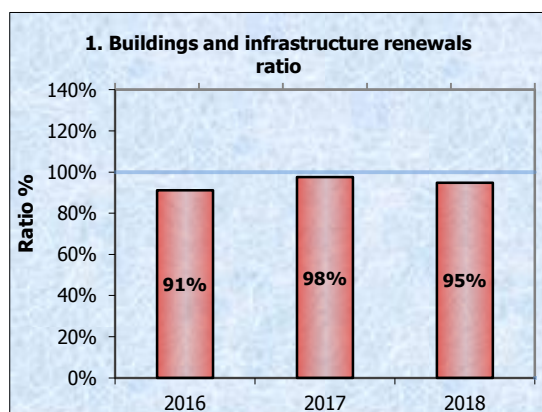
Notes

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

⁽¹⁾ 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.

Liverpool City Council

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



Purpose of asset renewals ratio

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

Commentary on 2017/18 result

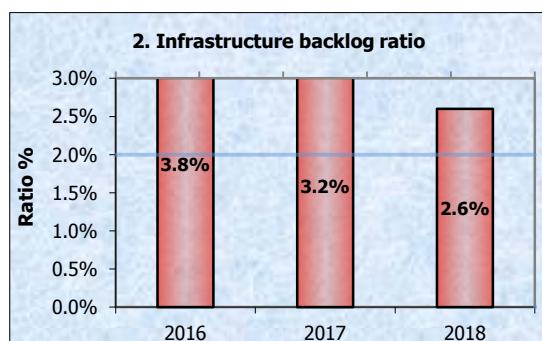
2017/18 Ratio 94.79%

Despite continued increases in renewal funding over the last 3 years, the reduction in the renewals ratio is as a direct result of increasing depreciation arising from \$116M increase in Council's asset base in 2017/18 year alone. Further, the ratio below 100% over the last three years is not considered to be an issue due to assets being managed in accordance with established asset management plans.

Benchmark: — Minimum $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of infrastructure backlog ratio

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

Commentary on 2017/18 result

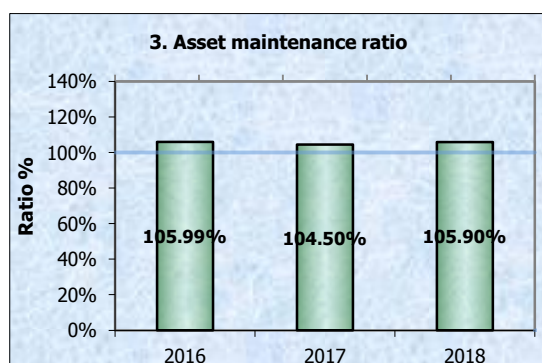
2017/18 Ratio 2.60%

With increased renewal funding, targeted renewal program based on modern asset management principles and effective asset maintenance strategy, Council aims to gradually reduce this backlog ratio to less than 2% of fair value over the next two years.

Benchmark: — Maximum $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of asset maintenance ratio

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

Commentary on 2017/18 result

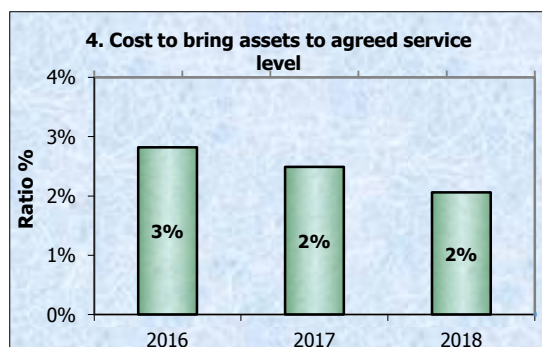
2017/18 Ratio 105.90%

Council has a history of substantial investment in asset maintenance with overall maintenance expenses generally exceeding the required maintenance expenses. Council has estimated required maintenance cost based on required ongoing maintenance activities over the life of an asset to achieve minimum of its design useful life.

Benchmark: — Minimum $> 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of agreed service level ratio

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

Commentary on 2017/18 result

2017/18 Ratio 2.06%

With increased renewal funding, targeted renewal program based on modern asset management principles and effective asset maintenance strategy, Council aims to gradually reduce this backlog ratio to less than 2% of fair value over the next two years.