



North Sydney Council

Annual Report

for the year ended 30 June 2018



progressive *vibrant* diverse

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Acknowledgement

North Sydney Council acknowledges the Guringai Tribe and Cammeraygal Clan as the traditional owners of this land.

For further information regarding the Annual Report, contact Council's Corporate Planning Coordinator on 9936 8270 or email council@northsydney.nsw.gov.au.

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November 2018

Introduction

This *Annual Report* documents the performance of North Sydney Council for 2017/18 against the objectives in the *North Sydney Community Strategic Plan 2013-2023* and against the actions identified in the *Delivery Program/ Operational Plan 2017/18*. It identifies major projects and activities implemented to improve and enhance the quality of life of our residents. The report provides transparent information for all Council stakeholders.

Council's General Manager and Directors have reviewed the content of this *Annual Report*. Council adopted the Financial Statements at the Council Meeting on 19 November 2018 following a review by an independent external auditor. See page 60 of this *Annual Report*.

The *Annual Report* is forwarded to the Minister for Local Government and the State Library of NSW.

The *Annual Report*, is available on the Council's website www.northsydney.nsw.gov.au.

A hard copy version of the *Annual Report* can be viewed at Council's Customer Service Centre and Stanton Library, and printed copies are available on request.

Our Vision

Vision

Shaping a progressive, vibrant and diverse North Sydney community.

Mission and Values

Mission

To be leading edge in serving the community of North Sydney by caring for its assets, improving its appearance and delivering services to its people in a financially, socially and environmentally responsible manner.

Values

Sustainability - equity, preservation, justice and precaution

Community service - efficiency, effectiveness and responsiveness

Open government - transparency and accountability

Ethical conduct - honesty and integrity

Justice - fairness and equity

Quality - innovation and excellence

Teamwork - cooperation and respect

Our Stakeholders

Stakeholder Engagement

Community engagement is integrated in all parts of North Sydney Council's project delivery so that our community of stakeholders are kept informed. We engage with our stakeholders in three primary ways:

- responding to specific requests for information and services
- participating in multi-stakeholder relationships; and
- conducting project-specific community engagement activities in accordance with Council's *Community Engagement Protocol*.

Council also conducts a periodic *Customer Satisfaction Survey*. The survey seeks community feedback and attitudes on a wide range of Council-related issues, including customer service, the environment, planning and development, roads and footpaths, parks and open space, community services and facilities and waste collection. 400 local residents and 200 business customers randomly selected respondents are asked to rank these areas in importance and satisfaction. The most recent survey was conducted in 2016.

Priority areas identified through the survey results were considered in the development of the revised Community Strategic Plan and are prioritised for attention via Council's Delivery Program.

Precinct Committees

In line with its approach to open government and public participation approach, Council established the 'Community Precinct System' in the late 1970s, encouraging residents, workers, students and property owners to take an active role in providing input into the operations of Council. Precinct Committees are run by community members and are advisory. Currently 18 of the total 25 Precinct areas are operational.

Precinct Committee meetings are open forums which anyone can attend. Precinct Committees provide a vehicle for the expression of comment, concern and suggestion between the Council and the community. For more information about Precinct Committees visit Council's website.



Mayor's Message

I am pleased to present North Sydney Council's Annual Report for 2017/18.

We've delivered many large-scale projects during this period, including the new award-winning Platform at the Coal Loader Centre for Sustainability, which was officially opened in March. The new Platform is one of the largest rooftop gardens in Sydney and provides a stunning new outdoor space with harbour views for our community as well as community gardens.

The Platform has already become a prized jewel in North Sydney's crown, having won numerous awards, including Parks and Leisure Australia's NSW Community Facility of the Year; the Australian Institute of Landscape Architect's (AILA) NSW Cultural Heritage Award of Excellence; and the 2018 Sustainable Cities Award for Heritage and Culture. These accolades are a testament to the vision, creativity and hard work that went into making the Platform a public asset that future generations can cherish.

Council also invested in its first 'Breathing Wall' in St Leonards as part of the Mitchell Street Plaza upgrade. The doubled-walled structure is filled with nearly 6000 plants and designed to filter out vehicle exhaust and volatile organic compounds to produce cleaner air.

Other key projects include the renovation of Kesterton Park playground and the ongoing upgrades and restoration of Duncan Thompson Stand at North Sydney Oval.

I've received fantastic feedback on these projects from the community and it's been wonderful to see these new and improved facilities being enjoyed by local residents and families.

All of our community's favourite events returned for the year and were well attended. Council held a new art event at the Coal Loader, the Red Project exhibition which celebrated local creative women and was very well received.

While Council has recorded an operating surplus this year, a review of Council's assets over the last financial year shows a significant proportion of our infrastructure is in poor condition.

To ensure we can continue to renew our infrastructure, Council has affirmed its intent to apply for a Special Rate Variation (SRV) with the Independent Pricing and Regulatory Tribunal (IPART) and is undertaking community consultation on three options until January 2019.

These projections for the future do not diminish the achievements of the last financial year and I would like to thank the staff for their continued dedication. I trust this Annual Report will provide a better understanding and appreciation of the breadth and quality of services provided by North Sydney Council which help make North Sydney such a desirable place to live, work and visit.

A handwritten signature in black ink that reads "Jilly Gibson". The signature is written in a cursive, flowing style.

Cr Jilly Gibson
Mayor of North Sydney



General Manager's Report

I am pleased to present the 2017/18 Annual Report for North Sydney Council. This report details Council's performance against strategic priorities, outlined in the *Community Strategic Plan 2013-2023*, our Operational Plan for 2017/18 and State Government-set targets.

Most importantly, this document should be considered against the standards that you, our community, expect in the delivery of more than 100 services and programs.

The audited *2017/18 Financial Statements* show that Council achieved an operating surplus prior to capital grants and contributions of \$7.2 million as at 30 June 2018.

Council also met all six of the State Government-set financial performance ratios, and two of the three infrastructure management performance indicators. However, we failed to meet the target for the Infrastructure Backlog Ratio, which is now 6.58% of the total value of Council's infrastructure, after an audit revealed the condition of a number of assets were worse than previously thought. More detail on the asset breakdown is available in Special Schedule 7 - Report on Infrastructure Assets as at 30 June 2018 in the *2017/18 Financial Statements* on the Council's website and page 60 of this *Annual Report*.

This result has prompted Council to apply for a Special Rate Variation (SRV) and to consult the community on three options going forward. An SRV would allow Council to reduce the backlog and stop our infrastructure from deteriorating further.

Over the past year, 80% of projects in our *2017/18 Delivery Program/Operational Plan* were completed or on track by 30 June 2018. As detailed on page 11, Council invested \$39 million in capital works, the majority of which was spent on roads, footpath and public domain upgrades.

We've now completed a large portion of the upgrades to North Sydney Oval and I am pleased to report we are attracting many first-class sporting fixtures as envisaged in the Oval's business plan.

With new Metro stations currently being constructed in North Sydney and Crows Nest, as well as several large building projects, Council is working hard to ensure we secure our community the upmost benefit from these developments.

Significant planning work has been undertaken to provide detail on the application of the Greater Sydney Commission Plan - *A Metropolis of Three Cities to North Sydney*. This will continue into 2018/19 with a focus on the *Ward Street Masterplan*, public domain and key Plans of Management for significant parks. It is essential that this is supported by financial planning that enables these plans to be delivered and not to be merely aspirational. This will also be advanced through the 2018/19 year.

In concluding, I would like to thank the community for their participation and ongoing engagement with Council activities together with the many volunteers that assist with community services and bush care. Most importantly, I would like to thank Councillors and staff for their ongoing contribution to the vibrancy and functionality of North Sydney.

A handwritten signature in black ink, which appears to read 'Ken Gouldthorp'. The signature is written in a cursive, flowing style.

Ken Gouldthorp
General Manager

Financial Summary

2017/18 Financial Results Overview (\$,000)

The following table presents a summary of financial results for 2017/18. For more detailed information, please refer to the Financial Statements on page 60 and on the North Sydney Council website.

Financial Results (\$,000)	2017/18
Total Income	123,126
Total Expenses	107,331
Net Operating Result	15,795
Operating Result before Capital Income	7,170
Total Assets	1,193,925
Total Liabilities	46,281
Net Assets	1,147,644
Total Cash and Investments	68,989

Net Operating Result (\$million)

North Sydney Council has achieved a net operating surplus in each of the last five years.

Net Operating Result (\$m)	2013/14	2014/15	2015/16	2016/17	2017/18
Operating Result before Capital Income	-\$0.51	\$7.03	\$14	\$6.98	\$7.17
Net Operating Result	\$27	\$23m	\$62	\$25	\$16

Income:

Council's total income for 2017/18 was \$123.1 million, a decrease of \$10.4 million year on year. The key driver was a reduction in capital grants and contributions of \$9.85 million in comparison to 2016/17.

Income Source (\$m)	2013/14	2014/15	2015/16	2016/17	2017/18
Gain Asset Disposal	0.00	0.08	0.03	0.00	0.00
Interest and Investment	4.02	4.61	3.97	3.56	2.65
Operating Grants and Contributions	3.46	4.66	6.12	6.69	4.49
Capital Grants and Contributions	11.41	15.54	47.70	18.48	8.63
Other Income	35.01	20.18	28.51	23.50	17.84
Fees and Charges	22.71	24.81	25.47	29.81	33.21
Rates and Annual Charges	43.55	46.34	49.00	51.48	56.32
Total	120.16	116.22	160.80	133.52	123.13

Rates and Charges were the highest income source, followed by Fees and Charges, Other Income and Grants and Contributions. These four categories accounted for 94% of total income in 2017/18.

Expenses:

Council's total expenditure for 2017/18 was \$107.3 million. Total expenditure declined by \$0.73 million year on year. Loss on asset disposal and depreciation were the key drivers of the reduction.

The top three contributors to expenses in 2017/18 were employee benefits, materials and contracts, and depreciation and amortisation.

Expenses (\$m)	2013/14	2014/15	2015/16	2016/17	2017/18
Employee Benefits	35.56	38.76	40.54	41.37	41.68
Borrowing Costs	0.00	0.00	0.00	0.30	0.30
Materials and Contracts	29.28	30.89	0.28	34.16	36.73
Depreciation and Amortisation	15.28	15.68	34.42	18.70	19.13
Other Expenses	8.44	8.31	15.54	8.34	8.56
Loss Asset Disposal	0.00	0.00	8.44	5.19	0.69
Loss in Joint Venture	0.00	0.01	0.02	0.00	0.02
Fair Value adj investment properties	0.00	0.00	0.00	0.00	0.21
Total	88.56	93.64	99.24	108.07	107.33

Our Financial Position is Sound

As at 30 June 2018, net assets totalled \$1.15 billion, including cash and investments of \$69 million, infrastructure, property, plant and equipment of \$1.02 billion. Cash holding includes \$18.8 million allocated to capital projects carried forward for completion in 2018/19.

The unrestricted current ratio provides a measure of the adequacy of working capital and the degree to which unrestricted current assets can satisfy the organisation's short term commitments. As at 30 June 2018, Council's unrestricted current ratio was 2.2 times, above the industry benchmark of 1.5 times. This means that Council's unrestricted or internally restricted cash balance as at 30 June 2018 was 2.2 times the cash required to meet current liabilities at that date.

The strong financial position reflects sound financial management and Council's commitment to financial sustainability. It also strengthens Council's financial capacity to deliver on the outcomes and strategies of the *North Sydney Community Strategic Plan*.

Financial Overview

This section provides you with a more detailed overview of the *2017/18 Financial Statements* (see page 60).

The Statements have been prepared in accordance with the Australian Accounting Standards and the NSW Local Government Code of Accounting Practice and Financial Reporting. The Statements were independently audited by the Audit Office of NSW and lodged with the Office of Local Government as required by *s417(5) of the Local Government Act (NSW) 1993*.

Highlights

- Council recorded a surplus net operating result before grants and contributions provided for capital purposes of \$7.2 million
- Overall income increased by 3.4% to \$284.2 million
- Total expenditure declined by \$0.73 million year on year
- Capital expenditure in the year was \$39 million
- Total assets increased by 19% to \$1.2 billion
- Total liabilities decreased by 3% to \$46.3 million

Key Financial Ratios

Council met or bettered the industry benchmark for all six of the financial performance indicators and two of the three infrastructure management performance indicators.

During the year, condition audits were undertaken on a number of classes of infrastructure assets. The audit revealed that the condition of a number of asset classes were worse than previously thought.

More detail on the asset breakdown is available in *Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018* in the 2017/18 Financial Statements (see page 60).

Financial performance ratios	Benchmark	2015/16	2016/17	2017/18
Operating Performance Ratio	>0%	1.46%	5.92%	7.08%
Own Source Operating Revenue ratio	>60%	63.67%	80.31%	89.35%
Unrestricted Current Ratio	>1.5x	3.30x	3.51x	3.41x
Debt Service Cover Ratio	>2x	62.39x	84.31x	91.17x
Rates, annual charges, interest & extra charges outstanding %	5%	1.05%	1.13%	1.29%
Cash expense cover ratio	>3mths	8.0mths	7.8mths	6.93mths

Infrastructure management performance ratios	Benchmark	2015/16	2016/17	2017/18
Building & Infrastructure Renewal Ratio	>=100	322.62%	233.52%	199.65%
Infrastructure Backlog Ratio	<2%	0%	0%	6.58%
Asset Maintenance Ratio	>100%	106.80%	99.53%	107.92%
Cost to Bring Assets to agreed service level		0%	0%	4.10%

Operating Performance Ratio - This ratio measures revenue raised and its coverage of operational expenses. A positive ratio indicates rates collected cover operational expenditure and will help to fund proposed capital expenditure. This has been the case for the last three years. Operating expenditure was entirely funded from operating income, this is a positive result.

Own Source Operating Revenue Ratio - This ratio measures Council's reliance on external funding sources such as grants and contributions. At 89.35%, Council's result was above the industry benchmark of 60%. Reliance on internal funding has increased in 2017/18, due to the reduction in grant funding.

Unrestricted Current Ratio - For each \$1 owed, Council had \$2.70 to cover liabilities. Council has liquid assets that can meet short term liabilities as they fall due.

Debt Service Ratio - This ratio measures the availability of operating cash to service Council's borrowings. Excluding capital grants and contributions and non-cash items from the operating result, the net operating surplus was sufficient to cover annual interest payments 91.17 times.

Rate and Annual Charges Outstanding - This ratio assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts. The result at 1.29% is well within the benchmark of 5%.

Cash Expenses Cover Ratio - This ratio indicates the number of months a Council can cover immediate expenses without additional cash inflow. In 2017/18 it exceeded the benchmark of >3 months.

Buildings and Infrastructure Renewal Ratio - This ratio shows whether assets are being renewed at the rate at which they are depreciating. This ratio exceeded the benchmark, a reflection of Council's commitment to allocation of funds to renewal of infrastructure.

Infrastructure Backlog Ratio - This ratio shows the asset renewal backlog as a proportion of the total value of a council's infrastructure. In 2017/18 condition audits were conducted on a number of asset classes. These showed that the condition of some assets was worse than previously known. This is well above the benchmark of 2%.

Asset Maintenance Ratio - This ratio compares actual versus required annual asset maintenance. The ratio exceeded the benchmark for 2017/18, indicating that Council has been allocating significant funds to asset management.

Costs to bring assets to agreed service level - This ratio shows the number of outstanding renewal works compared to the total value of assets under councils care and stewardship. The cost

estimated to remove the asset backlog is \$45 million, 4.1% of the gross replacement cost of the Councils infrastructure.

Financial Strength: our net worth

Council's financial strength, indicated by net assets (what we own less what we owe) has increased by \$193 million to \$1.19 billion.

Assets:

99% of North Sydney Council's total assets are comprised of the below three elements:

- Cash and investments of \$68.9 million
- Infrastructure, property plant and equipment valued at \$1.018 billion
- Investment properties were valued at \$97.7 million

Net assets increased in 2017/18 by \$107.6 million (10%) year on year, primarily due to land and infrastructure revaluations.

Net Assets (\$,000)	2013/14	2014/15	2015/16	2016/17	2017/18
Cash and Cash Equivalents	5,108	8,607	5,521	6,172	5,908
Investments	90,510	94,534	95,434	74,606	63,081
Receivables	6,603	5,829	6,840	10,223	8,684
Inventories	51	43	43	46	58
Prepaid Expenses	59	228	226	273	282
Infrastructure, Property, Plant and Equipment	608,323	711,182	769,132	812,464	1,018,159
Investment in Shorelink Library Network	61	56	34	33	13
Investment Property	74,650	79,570	92,390	97,623	97,740
Total Assets	785,365	900,049	969,620	1,001,440	1,193,925

Liabilities:

Council's liabilities include debt, amounts owed to suppliers and amounts owed to employees for leave entitlements.

Our total liabilities at 30 June 2018 were \$46.2 million, a decrease of \$1.4 million (3%) due to reductions in Provisions (ELE).

Total Liabilities (\$,000)	2013/14	2014/15	2015/16	2016/17	2017/18
Payables	15,475	18,802	25,290	20,309	20,697
Borrowings	-	172	9,720	9,500	9,500
Provisions	13,537	14,788	16,139	16,038	14,851
Income received in advance				1,844	1,233
Total Liabilities	29,012	33,762	51,149	47,691	46,281

Statement of Cash Flows:

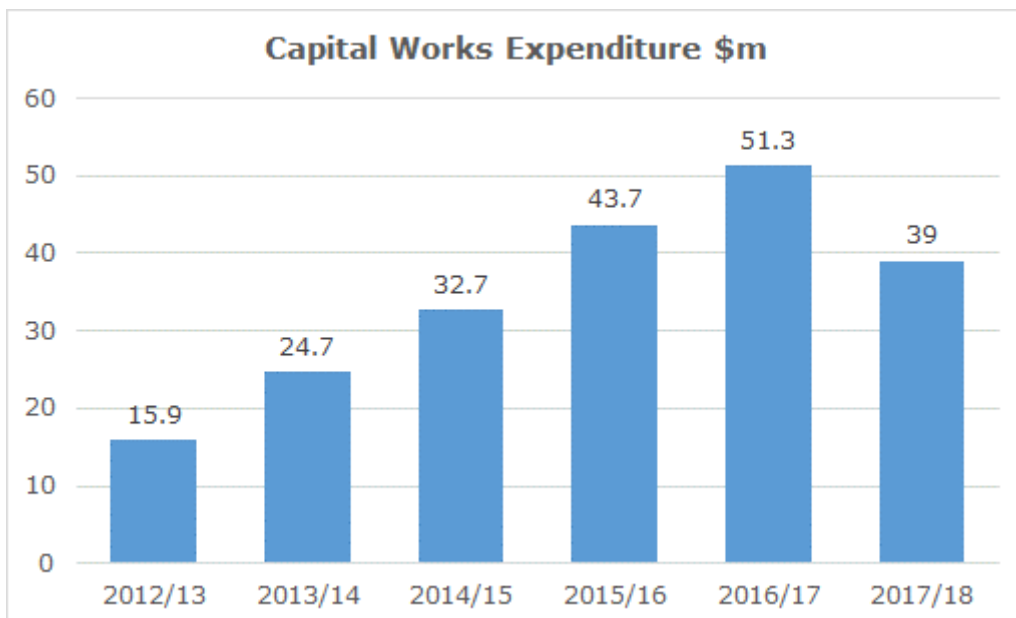
The Statement of Cash Flows shows Council's cash inflows and outflows. This statement shows our ability to pay our bills and ensure we have funds available for infrastructure maintenance. Our year ending cash balance was \$68.9 million, \$11.8 million less than that of the previous year. This decrease is driven by the funding of our capital works program.

Cash Balance (\$000)	2016/17	2017/18
Cash and Cash Equivalents	6,172	5,908
Investments	74,606	63,081
Total Cash, Cash Equivalents and Investments	80,778	68,989

Capital Works Expenditure

Council has an extensive capital works program to renew, upgrade and provide new assets. Council spent \$39 million on capital works in 2017/18 (excluding plant replacement) compared to \$51.3 million in 2016/17. Among the most significant works were:

- Coal Loader Platform - \$2 million;
- North Sydney CBD public domain improvements - \$5.6 million;
- Bon Andrews Oval Pavilion upgrade - \$1.2 million;
- Bradfield Park upgrade - \$1.5 million; and
- Purchase of 90 to 92 Willoughby Rd, a portion of the Hume St Park project - \$6.1 million.



Timely Creditor Payments

During the year North Sydney Council paid 100% of our creditors on time. Council’s payment term is 30 days, unless contracts state otherwise.

Our Community

North Sydney Profile

Location, Boundaries, Key Features and History

The North Sydney Council area is located in Sydney's inner northern suburbs, about 3 kilometres from the Sydney GPO. The local government area includes the suburbs of Cammeray, Cremorne, Cremorne Point, Crows Nest, Kirribilli, Kurraba Point, Lavender Bay, McMahons Point, Milsons Point, Neutral Bay, North Sydney, St Leonards (part), Waverton and Wollstonecraft. It is bounded by Willoughby local government area in the north, the Mosman local government area in the east, Port Jackson in the south and the Lane Cove local government area in the west.



Key Demographics

Below is a summary of key demographics for the North Sydney Local Government Area:

The ABS estimated resident population at 30 June 2017 was **73,032** people. The population is expected to increase to **84,422** people by 2036, **+13.34%**.
(This forecast is derived using Council records of current and planned residential development)

<p>Median age</p> <p>37 (1)</p> <p>Greater Sydney 36%</p>	<p>Couples with children</p> <p>18% (2.6%)</p> <p>Greater Sydney 35%</p>	<p>Older couples without children</p> <p>6% (1.1%)</p> <p>Greater Sydney 8%</p>	<p>Lone person households</p> <p>32% (-1.7%)</p> <p>Greater Sydney 20%</p>
<p>Medium and high density Housing</p> <p>89% (2.7%)</p> <p>Greater Sydney 44%</p>	<p>Households renting</p> <p>47% (1%)</p> <p>Greater Sydney 33%</p>	<p>Overseas born</p> <p>38% (1.4%)</p> <p>Greater Sydney 37%</p>	<p>Language at home other than English</p> <p>22% (2.6%)</p> <p>Greater Sydney 36%</p>
<p>University qualification</p> <p>54% (4.6%)</p> <p>Greater Sydney 28%</p>	<p>Unemployment rate</p> <p>3.7% (0%)</p> <p>Greater Sydney 6.0%</p>	<p>Participation rate</p> <p>71% (0.2%)</p> <p>Greater Sydney 62%</p>	<p>Public transport (to work)</p> <p>40% (3.3%)</p> <p>Greater Sydney 23%</p>
<p>SEIFA index of disadvantage 2016</p> <p>1108</p> <p>Greater Sydney 1018</p>	<p>Homeless persons estimated 2016 *</p> <p>411</p> <p>*Source: ABS, 2049.0 Estimating Homelessness, 2016</p>	<p>(Source ABS 2016 Census of Population & Housing & The population experts, Nov 2017)</p> <p>Key -</p> <p>Metric</p> <p>North Sydney</p> <p>Data Point (% v 2011 census)</p> <p>Greater Sydney %</p>	

The municipality of North Sydney was formed on 29 July 1890.

North Sydney incorporates the area north of the Sydney CBD, which was named by Captain Arthur Phillip after Viscount Sydney, Thomas Townsend, who was British Home Secretary at the time. The original inhabitants were the Guringai Tribe and Cammeraygal Clan.

The North Sydney area is now predominantly residential, with substantial commercial areas. Major features include the North Sydney CBD, HMAS Waterhen, Admiralty House, Kirribilli House, May Gibbs' Nutcote Cottage, Luna Park, North Sydney Olympic Pool, North Sydney Oval, TAFE NSW Northern Sydney Institute (St Leonards Campus), Australian Catholic University (MacKillop Campus), Mater Hospital and the Sydney Harbour Bridge.

In 2016, 37.8% of the population was born overseas; 22.8% were from a non-English speaking background. The most common countries of birth are England 7.6%, New Zealand 3% and China 2.9%. The North Sydney population is expected to increase by 13.34% by 2036.

The median age is currently 37, with the majority of the population falling into the young workforce, 25-34 age group.

The largest expected increase in persons between 2011 and 2036 is in the ages 75 to 79 category, which is expected to increase by 1,361, accounting for 3.4% of the total population.

The population is well educated versus greater Sydney with 54% holding university qualifications.

The majority of households in North Sydney are family households. There is a high proportion of lone person households and couples without children. 15% of households are made up of couples with children, compared with 35% in Greater Sydney. There is a low proportion of couple families with child(ren) and one-parent families.

In 2016 the North Sydney population was living in 36,785 dwellings. There are 3,764 (10.2%) separate houses in North Sydney, 9,196 (25%) medium density dwellings, and 23,629 (64.2%) high density dwellings. Dwelling density is higher in North Sydney than in other parts of Sydney with 86.5% residing in medium or high density dwellings, compared to 40% in Greater Sydney.

It is expected the number of dwellings in North Sydney will grow from 37,260 in 2016 to 41,642 in 2026.

The largest increase in household type between 2016 and 2026 is forecasted to be in 'lone person households.'

For more information about North Sydney's demographic characteristics, refer to the North Sydney community profile at <https://profile.id.com.au/north-sydney>

Key Challenges and Issues

The below key environmental, economic, social and governance factors impact North Sydney Council's future planning, reporting and decision making:

Environmental Sustainability

Our changing climate is putting pressure on the natural environment and reducing the lifespan of infrastructure. We need to protect our biodiversity, find new sources of energy, shift to low emission transport and research new ways to manage resources.

Landfill sites are filling up. We're making progress but more needs to be done. Illegal dumping is still a challenge.

There is increasing community expectation and demand for parks, sportsgrounds and other sports facilities. As both residential and worker populations increase in the coming years the problems will be amplified.

Higher density living creates less space for trees, putting our canopy cover at risk.

Economic Sustainability

North Sydney's population is expected to grow, driving an increase in rates income. There will also be increased demand for services and age-related discounts, increasing pressure on resources.

North Sydney faces a shortage of funds. The largest demand on resources is the renewal and maintenance of infrastructure. Grant income is not keeping pace with expenditure levels. There are limited discretionary resources for new asset construction and expansion of non-core services.

Rebuilding infrastructure with constrained finance means Council needs to be selective in the projects it undertakes.

Many private motor vehicles travel within and through North Sydney, leading to congestion and impacting on productivity and liveability. Council needs to balance the demand for more parking against the generation of traffic and congestion. We need to ensure public transport capacity supports

development growth. Strategies are in place to increase public transport, cycling and walking as preferred transport modes, but commitment is needed to bring them to fruition.

The State Government's planning reforms have created uncertainty about how neighbourhoods will be managed in the future. We need to balance the *A Metropolis of Three Cities*' strategy drive for growth with maintaining North Sydney's liveability.

The North Sydney CBD faces competition from emerging commercial centres, in particular Macquarie Park. There is a lack of office stock for some segments, in particular for small business and A-grade space.

Many of our commercial centres are divided by congested arterial roads, creating a poor pedestrian experience and lower quality open spaces. The Neutral Bay and Cremorne village centres also face additional pressure from the B-Line bus service, which has resulted in loss of parking directly outside shops.

There is constant pressure for residential development which squeezes the commercial centres, particularly St Leonards, challenging their local identity.

The increased interest in events in the North Sydney LGA places additional strain on our public open space, especially along the foreshore. We need to balance the commercial and social benefits of community and regional events against the loss of amenity for residents in adjacent venues.

Social Sustainability

The high cost of buying and renting may force our younger population to move to more affordable areas, exacerbating the ageing demographic. The number of homeless people and the number of requests for assistance with housing has increased. We need to ensure there is a range of housing options available to suit individuals, couples, families and older people needing retirement or care facilities.

The dominant household type in the LGA is lone person households; living alone can be socially isolating. Other groups in the area that experience disadvantage and potential isolation are Aboriginal people, migrants, people with a disability or mental illness, aged people and single parent families.

Issues include increased demand, lack of places for specific service types, affordability, barriers to access and the impact of government policy on service provision and viability.

Legacy systems and infrastructure can make it harder for people with disabilities or limited mobility to access services.

Governance

North Sydney Council is guided by the principles of integrity, accountability, transparency and community participation. Measures implemented to further strengthen the level of governance across the organisation, this year included:

- ongoing reviews by the Internal Auditor.
- our independently chaired Internal Audit and Risk Committee. The Committee provides independent assurance and assistance to Council on areas including risk management, control, legislative compliance and external accountability responsibilities.
- updating Council's Disclosure of Interest Returns; Delegations Manual; Councillor Access to Information and Interaction with Staff Policy; Mayor and Councillors' Facilities and Expenses Policy; and Contacts Manual were undertaken during the year.

- undertaking an in-house Governance Health Check.

In 2014 the State Government announced its *Fit for the Future* local government reform program. This program included work commenced prior by the Independent Local Government Review Panel and the Local Government Acts Review Taskforce as well as merger proposals. Council prepared submissions to the various feedback stages.

On 27 July 2017, the NSW Premier announced that the State Government would not proceed with the amalgamation of the councils under proposed mergers. This meant that North Sydney Council would not be merged with Mosman and Willoughby Councils but will continue to stand alone.

Leadership

North Sydney is focused on ongoing sustainability, accounting for exposures noted in the issues and challenges above. Council sees the below points as important way to support sustainability:

- Programs to bridge the gap between depreciation and the rate of renewal of infrastructure assets are implemented.
- Valuing our community. Sustainable communities are those that can respond effectively to increasing diversity, changes in demographics and areas of particular need. Council has a customer service based approach, regularly reviewing and responding to community needs, and ensuring frequent and timely consultation and engagement on issues that affect the community.
- Community capacity building. This involves collaboration with the community and other civic leaders to identify and respond to opportunities to enhance community wellbeing and development.

Communication and Engagement

Council regularly communicates with the community through the "North Sydney News," published biannually, and a regular corporate advert in the Mosman Daily newspaper. These publications provide topical information about Council and its services. Council has also increased usage of social media to communicate with its stakeholders.

In 2017/18, Council hosted numerous engagements, providing the community the opportunity to provide input into a broad range of projects, services and issues. Methods of engagement are determined per project/decision type in accordance with Council's *Community Engagement Protocol* (2013). These included:

- St Leonards Park Landscape Masterplan
- Primrose Park cricket nets
- Kesterton Park improvement works
- Draft TAPAS Action Plans x 7 zones (now known as LATM Action Plans)
- Draft Small Water Craft Storage Strategy
- North Sydney CBD Public Domain Strategy - Stage 1
- North Sydney CBD Laneways
- Family and Children's Strategy - Stage 1
- Older Persons Plan - Stage 1
- Anderson Park Masterplan/Plan of Management
- Tunks Park Masterplan/Plan of Management
- Amended Encroachment Management Policy
- Waste and Recycling Review
- Anzac Park Community Garden
- Watt Park Stairway Upgrade
- Joint Plans of Management for the Crows Nest Centre, May Gibbs' Nutcote and Primrose Park Art & Craft Centre

In addition:

- Between December 2017 and March 2018, Council conducted extensive engagement seeking input into the review of the Community Strategic Plan. The Stage 1 feedback was reported to Council in April 2018. Council's draft Integrated Planning and Reporting suite of plans (Stage 2) was publicly exhibited in May/June 2018.
- Council conducted 2 consultations for playground upgrades.
- Council conducted 4 consultations regarding planning proposals.
- Council conducted 6 consultations regarding active transport/walking and cycling upgrades.
- Council conducted 12 location-specific traffic and parking consultations, resulting in changes to parking restrictions in residential and commercial areas.

In July 2017 Council launched its online engagement platform. The Your Say site has improved the presentation of Council's engagements, including documents on exhibition and has enabled greater online participation.

Human Resource Management

Programs are in place to ensure equitable treatment of staff by recognising and rewarding superior performance, protecting health, safety and welfare and the provision of opportunities for training and development.

Council's Personal Performance Appraisal (PPA) system provides a means to appraise and improve organisational performance by linking and aligning individual, team, and organisational objectives and results. The program focusses on future development and also identifies and rewards good performance and provides a means for managing underperformance.

Our Council

Our Councillors

Electoral Representation

The elected Council comprises the Mayor and 10 councillors who are elected by the residents and ratepayers of the North Sydney local government area.

Local government elections to elect councillors and directly elect a mayor are held every four years. From September 2017 the elected Council has comprised 10 Councillors (including the popularly elected Mayor) across three wards.

The Mayor presides at meetings of the Council, carries out the civic and ceremonial functions of the civic office, exercises the policy making functions of the governing body of the Council between its meetings and any other functions that the Council determines.

The Mayor and Councillors employ and delegate the management and delivery of Council services to the General Manager. The responsibilities of councillors, and the additional responsibilities of the Mayor, are defined under the *Local Government Act 1993*.

Mayor and Councillors 2017/18

Mayor Jilly Gibson
Mayor of North Sydney Council

Cr Jessica Keen
Victoria Ward

Deputy Mayor Cr Stephen Barbour
Tunks Ward

Cr MaryAnn Beregi
Victoria Ward

Cr Tony Carr
Tunks Ward

Cr Zoë Baker
Wollstonecraft Ward

Cr Dr Alanya Drummond
Tunks Ward

Cr Ian Mutton
Wollstonecraft Ward

Cr Kathy Brodie
Victoria Ward

Cr Samuel Gunning
Wollstonecraft Ward

The Role of Council

Council operates under the *Local Government Act 1993*. The Council is responsible for providing leadership, monitoring the performance of Council, overseeing the allocation of the Council's resources and determining policies of Council.

Council Election September 2017

Council elections were held in September 2017. Mayor Jilly Gibson was reinstated until 2020/21.

Ward Boundaries 2015 Review

The *Local Government Act 1993* requires councils to keep ward boundaries under continuous review.

The Act requires that each Council must undertake procedures to alter the ward boundaries where the number of electors differs by more than 10% from the number of electors in each other ward in the area.

In 2015, statistics received from the NSW Electoral Commission indicated that North Sydney Council's Ward Boundaries differed by more than 10% and thus a review was required.

A referendum at the 2012 Council elections also reduced the number of Wards from 4 to 3 and the number of Councillors representing each Ward from 4 to 3 (not including the Mayor). This reduction in Wards necessitated a review of the Ward names. These are the Tunks Ward, Victoria Ward and Wollstonecraft Ward.

Mayor and Councillor Allowances, Fees and Expenses

Councillors are entitled to reimbursement for reasonable business expenses when attending conferences, seminars, meetings or functions. Approval to attend conferences and seminars is granted through resolution of the Council. Councillors are entitled to receive facilities such as a computer and printer/fax for Council business purposes, stationery and refreshments at Council and Committee meetings. Councillors also receive an annual allowance set by the Remuneration Tribunal. This allowance is paid in recognition of the demands placed on councillors in carrying out their civic duties. The Mayor is entitled to receive a Mayoral allowance, and reimbursement of reasonable expenses incurred when attending functions or performing duties in the role of the Mayor. Approval to attend conferences must be through resolution of Council. The Mayor is issued with a mobile phone and has access to a vehicle for Council business purposes only.

The allowances and fees paid in 2017/18 were:

Allowance and Fees	Amount (\$)
Mayor allowance	41,418
Councillors' fees and allowances	189,882
Total	231,300

Council's *Mayor and Councillor Facilities and Benefits Policy*, readopted by Council 25 June 2018, provides for the following benefits:

Councillor Expenses	Amount (\$)
Conferences & Seminars	6,453.84
Mobile Phones	2,447.92
Training	9,235.19
Sundries	3,354.50
Sustenance - Councillors	4,069.26
Travelling - Taxis/Couriers/Etags/Ptrans	2,575.93
Total	28,136.64

Australia Day Community Awards

Council calls for nominations for Australia Day Community Awards for a number of categories and a ceremony to present these awards is held with the community on Australia Day annually. In 2018, the award winners were:

Citizen of the Year: was Sister Carmel McDonough RSM for her role as mission educator at Monte Saint Angelo Mercy College. Sr Carmel drives the Mercy Action Group (MAG) – a student-based initiative that advocates for critical social justice issues surrounding the environment, refugees, homelessness and indigenous people. She provides students with the knowledge and skills to act as responsible citizens within their local community and abroad.

Joint Community Group of the Year: recognised with the award for their outstanding Christmas light display which draws large crowds and has raised contributed money for various charities over the past two decades was Helen and Kostas Mallikopoulos.

Joint Community Group of the Year: also honoured was The Uniting North Sydney Local Area Coordination Team for helping those in the local area with a disability better engage with their community, and live a quality life. The group has initiated a sweep of projects including community drop-in consultations, regular library hot desks, workshops and expos.

Our Organisation

Sustainability

North Sydney's commitment to ensuring the sustainability of our organisation and community into the future is described in the *North Sydney Community Strategic Plan*. The Community Strategic Plan ensures that we are preparing for a sustainable future.

Organisational Sustainability Policy

Council's *Organisational Sustainability Policy* defines sustainability as: 'maintaining and enhancing our quality of life, while ensuring the viability of Council, now and in the future, through an integrated consideration of environmental, economic, social and governance factors'.

Council applies this quadruple bottom line approach to its planning, reporting and decision making. Planning, reporting and decision making will include consideration of the environmental, economic social and governance implications with the aim the aim to work toward sustainability.

Council's principles of sustainability are:

Environmental quality	Council will enhance natural assets and whilst considering the economic, social and governance implications of decisions.
Economic prosperity	Council will promote a strong local economy, while considering the environmental, social and governance implications of decisions.
Social equity	Council will ensure access to services, facilities and amenities, and encourage community participation while considering the environmental, economic and governance impact of decisions.
Good governance	Council will govern in order to achieve its objectives within an acceptable degree of risk while not compromising its environmental, economic and social wellbeing.

Legislation Relating to Sustainability

Taking into consideration the principles of ecologically sustainable development (ESD) is a legal requirement for all councils under the *Local Government Act 1993*.

North Sydney Council's Sustainable Development Project was implemented in 2013/14.

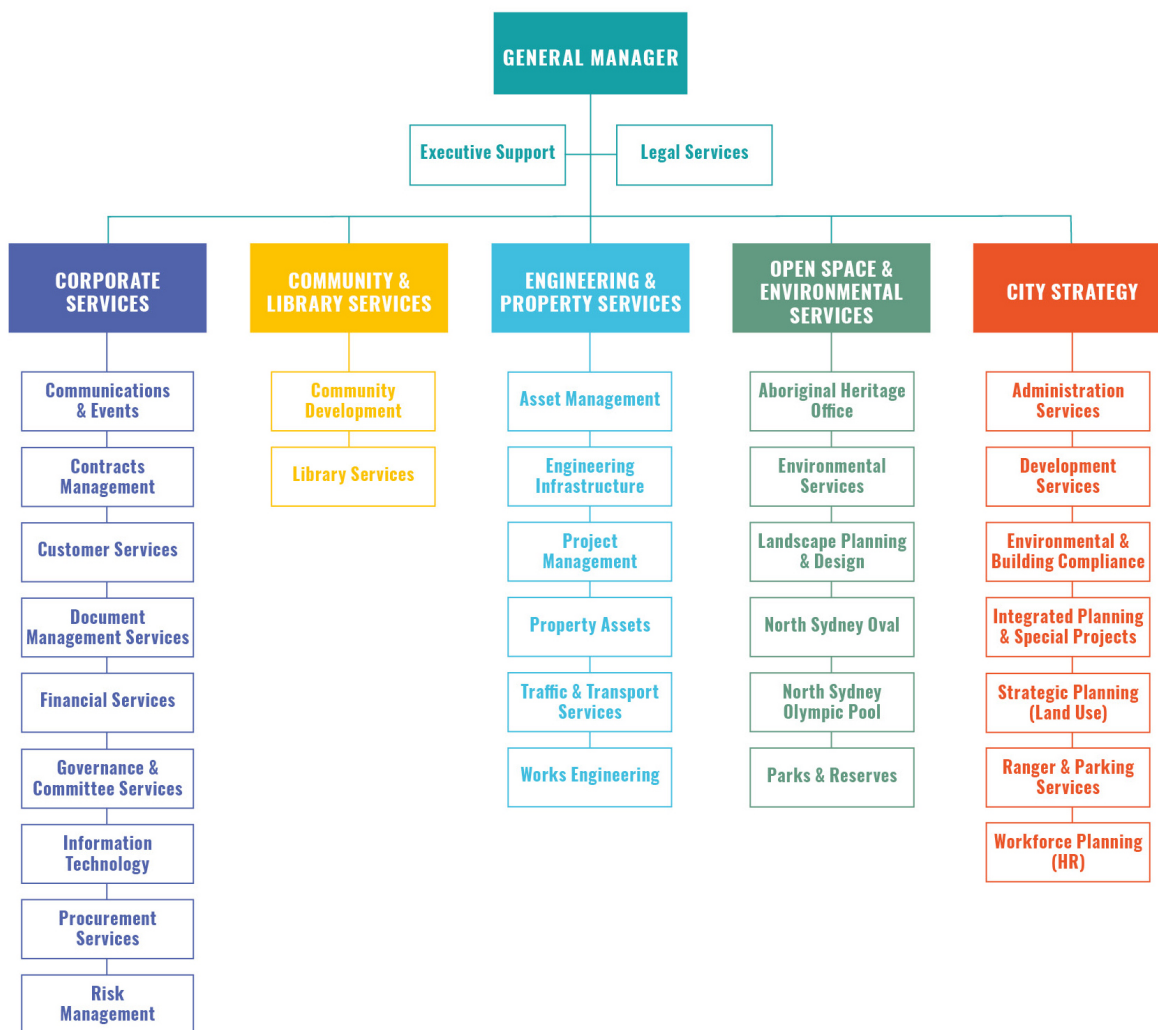
The project has seen a comprehensive green audit test the effectiveness of Council's own planning provisions. The intention was to improve the sustainability performance of new development by identifying and implementing best practice planning provisions.

The ESD best practice project adopted a whole-of-Council approach to assist in dealing with complex sustainability issues and has policy and work plan implications that extend right across the organisation beyond typical planning and assessment functions. The process and its outcomes can be used by other councils to assist in their drive towards sustainability, making the project significant on a regional and state-wide scale. Refer to Council's website for more information.

Changes to the Organisation Structure in 2017/18

The organisational structure changed in 2017/18. The role of Chief Operating Officer was removed, Legal Services now reports directly into the General Manager, Contacts Management, Procurement Services and Risk Management now report into The Director of Corporate Services.

Organisational structure as at 30 June 2018



Overseas Visits

No paid overseas visits were undertaken by councillors, staff or other persons representing Council.

Our Staff

Council is committed to recruiting, developing and maintaining its staff. Planning for the needs of our current workforce and those of the future is a major focus for Human Resources. Council's *Workforce Management Strategy* outlines this commitment.

The aim of the strategy is to ensure we retain our staff, hold a strong position within the employment market and remain an employer of choice.

Our Performance Management Framework

Remuneration

The management executive ensures the remuneration review process remains transparent and equitable, and that managers are engaged in the process.

Council's performance review program focuses on individual and team performance that can be directly linked to the Community Strategic Plan strategic priorities, together with department and personal performance objectives.

The total remuneration including salary, superannuation and non-cash benefits paid to senior staff in 2017/18 was:

	Total Salary \$ (incl. super)
Senior Staff	2,030,257.86
General Manager	391,156.59

Staffing and Recruitment

Retaining and Attracting High Quality Employees

The number of full time equivalent permanent staff decreased slightly over the year from 389 to 378.3.

Total Staff FTE - ARA Criteria

	2013/14	2014/15	2015/16	2016/17	2017/18
Total staff full time equivalent	372	368	398	389	378.3

Note: Data excludes 'employees' defined as casuals or agency resources who meet the ad hoc needs of relevant Council business.

Staff Turnover

In 2017/18 Council retained 80.5% of its workforce. 78 employees terminated their employment, a staff turnover rate of 19.5% for the year, which is a 3.3% increase from the previous year. There were 12 retirements this financial year which constitutes 15.3% of separations.

The increase in staff turnover is due to the full employment status of the labour market. There are plenty of opportunities in metro areas overall with specific growth in State Government employment opportunities.

Staff Turnover by Gender and Age Group as at 30 June 2018

	2013/14	2014/15	2015/16	2016/17	2017/18
Permanent FTEs leaving the organisation	9%	12%	10%	16%	19.5%

Joint Consultative Committee

The Joint Consultative Committee (JCC) consists of elected staff and management representatives. It is coordinated by the workforce planning department and meets monthly. The committee facilitates workplace reform to enhance the efficiency and productivity of Council.

Ensuring Equity and Diversity in Employment

North Sydney Council is rich in talent and diversity. This reflects our approach to recruitment, selection and promotion. Our employment record is evidence of our support for cultural diversity.

Similar to Australian trends, Council has a high representation of males in senior management roles. The number of women as a percentage of the total workforce has remained constant at 45%. The representation of women in middle management has remained stable at 19.5%.

Women in Middle Management/Executive & Management as at 30 June 2018

2016/17	2017/18
9 (25%)	10 (19.5%)

The majority of employees are positioned at the officer level 92%, with senior management representing 8% of the total workforce.

Employees by Category as at 30 June 2018

(*Comprises General Manager and Directors)

Executive*	6 (1.5%)
Managerial	26 (6.5%)
Non-managerial	368 (92%)

Return to Work Retention Rates after Parental Leave 30 June 2018, verses prior years

	2013/14	2014/15	2015/16	2016/17	2017/18
Male	1 (100%)	0 (100%)	1 (100%)	1 (100%)	2 (100%)
Female	3 (100%)	10 (100%)	9 (100%)	4 (100%)	5 (100%)

Council is an Equal Employment Opportunity (EEO) employer committed to providing a workplace that is free from discrimination and harassment and provides equal employment opportunities for current and prospective employees. Our success depends on attracting and retaining the best people to support our community.

Data collected from the EEO surveys is shown below:

EEO Profile North Sydney Council as at 30 June 2018, verses prior years

(Data is indicative, based on EEO survey data)

EEO Target Group	2014/15	2015/16	2016/17	2017/18
Women	44%	42.5%	45.2%	44.5%
Indigenous people	2%	1.2%	2%	2%
People from culturally and linguistically diverse backgrounds	13.8%	13.4%	13.5%	13%
People with disabilities	1.8%	5%	1.3%	1.3%

In 2017/18, Council prioritised the following EEO policies:

- *Anti-discrimination and EEO Policy*
- *Workplace Adjustment Policy*

The EEO Policy aims to ensure all employees work in an environment that fosters mutual employee respect and where each employee has the opportunity to progress to the fullest of his or her capabilities. This enhances Council’s efficiency and service delivery.

As part of our commitment to EEO, employee nominees are given the role of EEO Contact Officers, who are provided training to deal with EEO issues and to assist people who have been harassed or discriminated against.

We conduct awareness raising sessions for managers on EEO complemented by sound recruitment and selection training. We also determine whether vacant positions are suitable for redesign for part time employment or traineeships or as apprenticeships for EEO target groups.

Corporate Governance

Our Community Strategic Plan

The North Sydney Community Strategic Plan outlines the strategic directions for the North Sydney community. Council tracks progress toward achieving the overall outcomes on a biannual basis.

Ethical and Responsible Decision Making

High Standards of Conduct

North Sydney has a culture that strongly values ethical behaviour, integrity, honesty and professionalism.

On induction, all employees are given training and are required to sign the Code of Conduct. Refresher training and awareness sessions are provided for Council's longer serving employees.

There were no instances of suspected or actual corrupt conduct reported during 2017/18. The Code of Conduct is available for public inspection at Council's Customer Service Centre, Stanton Library and on the website.

New Legislation

There have been no new or amended items of legislation introduced by other levels of government that affect the structure and operations of Council over the past 12 months.

Financial Reporting

Audit and Risk Committee - The Audit and Risk Committee independently reviews the objectivity and reliability of Council's financial information, and ensures Financial Statements are supported by appropriate management sign off on the adequacy of internal controls. A special meeting is also held to review Council's Annual Financial Statements.

Internal Audit - Council participates in the Northern Sydney Internal Audit Group with neighbouring councils.

External Audit - A private firm appointed by Council annually audits Council's Financial Statements to ensure they are true and fair and comply with applicable Australian Accounting Standards. The external auditors attend all Audit and Risk Committee meetings.

Disclosure

Accountability and Transparency

Council regularly informs the public on our performance, expenditure of funds, and of any significant issues that occur. Council does this through our Annual Report.

Open Access to Information

Council is committed to complying with the *Government Information (Public Access) Act 2009* (the GIPA Act). Under the GIPA Act there are four ways that information can be made available to the public. These are mandatory disclosure of 'open access information', proactive release of information, informal release of information and through a formal access application.

In accordance with the GIPA Act, the following documents are available on Council's website, unless stated otherwise and are available for inspection free of charge at Council's Customer Service Centre, 200 Miller Street, North Sydney, during normal office hours:

- North Sydney Community Strategic Plan 2013-2023
- Annual Financial Statements
- Annual Report
- Annual reports of bodies exercising functions delegated by the local authority
- Any codes referred to in the Local Government Act (LGA)
- Auditor's Reports
- Code of Meeting Principles and Practices
- Council, Committee and Reference group meeting agendas, reports (business papers – excluding business papers for matters considered when part of a meeting closed to the public) and minutes
- Council's adopted Code of Conduct
- Council's Land Register – available for inspection by appointment at Council's Customer Service Centre
- Council's policy concerning the payment of expenses, and the provisions of facilities to councillors
- Departmental representative reports presented at a meeting of the Council in accordance with section 433 of the LGA
- EEO Management Plan
- Management Plan - Council's Delivery Program; Operational Plans and Resourcing Strategy (Long Term Financial Plan, Asset Management Strategy and Workforce Strategy)
- Register of current declarations of disclosures of political donations kept in accordance with section 328A of the LGA – online link to the Election Funding Authority website
- Register of Delegations
- Register of graffiti removal work – available for inspection by appointment at Council's Customer Service Centre
- Register of Investments
- Register of voting on planning matters
- Returns of the interest of councillors, designated persons and delegates – available for inspection by appointment at Council's Customer Service Centre
- Schedule of Fees and Charges
- The Model Code of Conduct for Local Councils prescribed under section 440 (1) of the local government area.

Members of the public may purchase copies of these documents.

Other information that Council has available for inspection includes:

- Environmental Planning Instruments, Development Control Plans and Plans made under Section 94 of the *Environmental Planning and Assessment Act 1979* applying to land within the Council's area.
- Local policies adopted by the Council concerning approvals and orders.
- Plans of Management for Community Land.

Information about development applications is available as follows:

- Development applications (within the meaning of the *Environmental Planning and Assessment Act 1979*) lodgement documentation and determination is made available online using DA tracking system on Council's website. Associated documents received in relation to a proposed development may be made available by lodgement of an informal access application.

Information not already available on the Council website can be obtained by submitting an informal or formal request for the release of government information under the GIPA Act. Such requests are accepted unless there is an overriding public interest against disclosure.

Public Interest Disclosures

Councillors and Council staff are encouraged to report what they believe to be unethical conduct within the organisation.

Council is required under the *Public Interest Disclosures Act* to collect and report on information about public interest disclosures (PIDs).

No PIDs were made for the period 1 July 2017 to 30 June 2018.

Council has the *Internal Reporting - Public Interest Disclosures Policy* in place. This policy is available for public inspection at Council's Customer Service Centre, Stanton Library and on its website.

Recognising and Managing Risk

Our risk management framework is embedded in our strategic and operational policies and practices:

Formal Risk Management - Council applies a procedure of investigation in the workplace which identifies existing and known risks, as well as risks that have not yet materialised into damage to people or property.

Informal Risk Management - Risk management responses are initiated on receipt of information received from members of the public and employees.

Record Keeping

Corporate documents are kept in a best practice electronic records management system.

Functions Delegated by Council to External Bodies

Council did not delegate functions to any external bodies during 2017/18.

Controlling Interest in Companies

Council holds a controlling interest in Nutcote Pty Ltd which is the trustee company for the Nutcote Trust.

Partnerships, Cooperatives and Joint Ventures

Council was a party to the following partnerships, cooperatives and joint ventures:

Program	Description
Aboriginal Heritage Management Program	Joint Venture between Lane Cove, North Sydney, Manly, Ku-ring-gai, Pittwater, Ryde, Warringah and Willoughby councils and Department of the Environment and NSW Heritage Office to manage and preserve Aboriginal heritage sites.
Joint Special Interest Group	Joint Special Interest Group between Canada Bay, Gosford, Melton (Vic), Mosman, Newcastle, Noosa (Qld), North Sydney, Shellharbour, Tea Tree Gully (SA), Wellington (NSW), Wellington (SA) Councils and Avand and Civica to provide better integration of Civica - Authority and Advanced Data Integration - DataWorks applications in the areas of document storage and management and the control of names within the applications.
Metropolitan Public Libraries Association (NSW)	An organisation representing the concerns of sharing knowledge and bulk purchasing.
Northern Sydney Regional Organisation of Councils (NSROC)	An organisation representing the concerns of local government in the greater Sydney region.
Road Safety Program	North Sydney Council and Roads and Maritime Services jointly fund the position of a Road Safety Officer. The Road Safety Officer's role includes public education regarding road safety issues.
Shorelink	A library management network involving Lane Cove, Manly, Mosman, Stanton and Willoughby public libraries.
Statewide Mutual Insurance Pool	A cooperative designed to provide access to reasonably priced insurance.

Purchasing Decisions

Purchasing decisions are made in compliance with Section 55 of the *Local Government Act 1993*. Goods and services valued above \$150,000 over the life of the contract are subjected to a publicly advertised tender process and require approval by Council resolution. All successful and

unsuccessful tenderers are notified in writing of the tender evaluation outcomes. Quotations are to be publicly advertised where expenditure will be greater than \$75,000 and less than \$150,000. For expenditure between \$25,000 and \$75,000, a minimum of three quotations is required. Providing the pricing is competitive, a supplier may be selected, and direct procurement may occur, where expenditure on a good, service or material will not exceed \$25,000 over the life of the contract.

All potential suppliers are treated impartially. All processes, evaluations and decisions are transparent, free from bias and fully documented in accordance with applicable policies and requirements. Any actual or perceived conflicts of interest are identified, disclosed and appropriately managed. Any information provided to Council by a supplier is treated as commercial-in-confidence and is not released unless authorised by the supplier or relevant legislation.

The total value of Council’s major contracts (>\$150,000 each) awarded was \$19.7 million.

The following contracts and agreements over \$150,000 were awarded:

Contractor	Goods and Services Supplied	Amount (\$)
Civil Works (NSW) Pty Ltd	Seawall Restoration Works	643,640
Regal Innovations Pty Ltd	Construction Works	5,876,317
Shamrock Developments International Pty Ltd	Retaining Wall & Rock Face Stabilisation Works	627,166
Civeco Pty Ltd	Footpath Construction Works	371,894
Optimal Stormwater Pty Ltd	Gross Pollutant Trap Construction, Little Young Street	450,320
Ally Civil Pty Ltd	Stormwater Drainage Construction Works (Portions 1,3,4,5)	2,574,635
Shamrock Developments Pty Ltd	Stormwater Drainage Construction Works Portion 2)	241,066
Patrick Collins Constructions Pty Ltd	Construction, Watt Park Access Improvements	386,550
2020 Projects Pty Ltd	Refurbishment of two Coffee & Food Kiosks	197,997
Hasell Ltd	Consultancy Services, Ward Street Precinct Masterplan	172,931
Civix Pty Ltd	Installation of Traffic Control Signals	491,175
Beaver Air Conditioning	Replacement of Chiller, Stanton Library	245,000
Ezypave Pty Ltd	Construction, CBD Public Domain Upgrade, Portion A	718,533
Ezypave Pty Ltd	Construction, CBD Public Domain Upgrade, Portion B	1,079,134
Planet Civil Ltd	Construction Works	294,349
2020 Projects Pty Ltd	Building Alteration and Upgrade Works	699,028
Commercial Christmas	Supply & Installation of Christmas Decorations	255,000
Ezypave Pty Ltd	Construction, Education Precinct, Public Domain Upgrade, Stage 2	892,770
Advanced National Services Pty Ltd	Cleaning Services	164,764
Bermaqui Constructions Pty Ltd	Remediation Works, Duncan Thompson Stand	1,176,665
Brewster Hjorth Architects Pty Ltd	North Sydney Olympic Pool Redevelopment – Stages 1,2 and 3	1,844,104
GRC Hydro	NSC LGA – Floodplain Risk Management Study & Plan	312,250

Social Procurement

Council is committed to socially responsible procurement. All procurement practices are sustainable and strategically aligned with Council’s goals:

- achieving greater value for money across the community through the use of procurement;
- ensuring all businesses have the same opportunity to tender for Council contracts;
- enhancing partnerships with other councils and suppliers.

Competition Policy

The principle of competitive neutrality requires that government businesses operate without net competitive advantages over the private sector as a result of their public ownership.

The following functions were categorised as being business activities and ones to which the principles of competitive neutrality would be applied:

Category 1: Turnover of more than \$2 million per annum

Name	Description of Activity
Waste management services	Domestic and trade waste and recyclables collection and disposal
Commercial property management	Managed rental property portfolios

Category 2: Turnover of less than \$2 million per annum

Name	Description of Activity
Development applications	Buildings, development and subdivision approval processing
Car parking services	Permanent and casual off-street parking facilities subject to hire
North Sydney Oval Function Centre	Bar and catering facilities available for hire to the public and members

The Special Purpose Financial Reports for the year ended 30 June 2018 disclose the operating results for category 1 and category 2 activities.

Council did not receive any competitive neutrality complaints this year.

All competitive neutrality complaints are dealt with in accordance with Council's *Procurement Policy* and *Complaints Handling Policy*. These policies are available on Council's website.

Statutory Information

This section contains the legislative information that Council is required to provide, but which has not been disclosed previously in this report.

Access Applications

Section 125 of the *Government Information (Public Access) Act 2009 (GIPA Act)* requires Council to report in detail on the handling of access applications. This statement is in accordance with the GIPA reporting requirements. Commentary on applications for information under GIPA can be found below.

Access Applications - s125(1) of the Government Information (Public Access) Act 2009 (GIPA Act)

Section 125 of the GIPA Act requires Council to report in detail on the handling of access applications. This statement is in accordance with the GIPA reporting requirements. Commentary on applications for information under GIPA can be found below.

Review of proactive release program

Council's program for the proactive release of information involves:

- ongoing review of document registration standards in relation to online publishing of DA associated documentation in the DA Tracking section of Council's website
- ongoing review of document registration standards in relation to onsite public access perusal appointments
- review of Council's Access to Information Policy
- review of Council's Publication Guide
- review of Council's Public Registers
- review of Council's Privacy Management Plan
- review of internal eLearning GIPA module
- review of Staff Reference Guide for Personal & Private Information Held by Council

During the reporting period, we reviewed this program by:

- ongoing consultation with key Council stakeholders
- updated documentation to reflect staffing realignment
- updated documentation & templates to reflect changes in business practices
- reviewed mandatory in-house online training module for GIPA awareness
- reviewed mandatory in-house online training module for Privacy principles
- ongoing consultation and training was provided to existing and newly appointed NSC officers in public access practices in accordance with reviews of document registration practices
- updating publication to online Registers
- undertaking internal auditor review of Privacy Management
- reviewed departmental processing practices
- recruited for specialist GIPA Officer role

As a result of this review, we released the following information proactively:

- 1,105 responses to documented Informal Access to Information Applications
- increased DA associated information on the DA Tracking section of the Council website
- online publishing of information referenced in Council's Publication Guide
- live Minutes at Ordinary Council Meetings
- online streaming of Ordinary Council Meetings

Number of access applications received

During the reporting period, Council received a total of 24 formal access applications (including withdrawn applications, but not invalid applications).

Number of refused applications received

During the reporting period, Council refused a total of 5 access applications either wholly or in part because the information requested was information referred to in Schedule 1 to the GIPA Act. Of those applications, 1 were refused in full, and 4 were refused in part.

Table A: Number of applications by type of applicant and outcome

(More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.)

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether info is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	1	1	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	6	1	0	0	0	0	0	1
Members of the public (other)	11	2	0	1	0	0	0	0

Table B: Number of applications by type of application and outcome

NOTE: The total number of decisions in Table B should be the same as Table A.

	Access granted in full	Access granted in part	Access refused in full	Info not held	Info already available	Refuse to deal with application	Refuse to confirm/deny whether info is held	Application withdrawn
Personal info applications*	3	0	0	1	0	0	0	0
Access applications (other than personal info applications)	8	2	1	0	0	0	0	0
Access applications partly personal info applications & partly other	6	2	0	0	0	0	0	1

*A **personal information application** is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

There were no invalid applications. The conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the GIPA Act, consideration was not used.

Table C: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act

	Number of occasions when application not successful
Responsible and effective government	4
Law enforcement and security	0
Individual rights, judicial processes and natural justice	1
Business interests of agencies and other persons	2
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table D: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	19
Decided after 35 days (by agreement with applicant)	5
Not decided within time (deemed refusal)	0
Total	24

There were no applications reviewed under Part 5 of the Act.

Customer Privacy Breach¹

During the reporting period, there were nil substantiated complaints regarding breaches of customer privacy and losses of customer data.

Planning Agreements under the Environmental Planning and Assessment Act 1979

As an alternative to developer contributions (Section 94 Contributions), Council can enter into a planning agreement with a developer. A planning agreement may prescribe for the developer to contribute funds for public infrastructure, land, or the provision of other public facilities and infrastructure.

Council entered into the following planning agreement during the 2017/18 financial year:

- 31-33 Albany Street, Crows Nest to facilitate a monetary contribution of \$1,150,000 for the purposes of providing new open space within the precinct and a setback of 3 metres from Hume Lane to allow for increased footpath width and greater separation to buildings to the east of the site.

Companion Animal Management - Reg cl 217(1)(f)

Council's Rangers work with the community to protect residents, their pets and the natural environment by enforcing companion animal laws.

During 2017/18, Council received 24 reports of alleged dog attack incidents. As required, all dog attacks were reported to the Division of Local Government within 72 hours of being advised of an attack.

12 of companion animals were impounded. 11 were returned to their owners or re-homed.

¹ <https://g4.globalreporting.org/specific-standard-disclosures/social/product-responsibility/customer-privacy/Pages/G4-PR8.aspx>

Council has the following strategies in place to promote and assist the desexing of dogs and cats. Handing out brochures to veterinary hospitals and on park patrols undertaken by Rangers.

Council has the following strategies in place as an alternative to euthanasia for unclaimed animals our contracted pound is required to have a rehoming policy.

Council hosted Bradfield Bark for dog owners in May 2018. Educational material on dog ownership was provided to all attendees.

All Council parks and public reserves are off-leash areas, with the exception of:

- bushland areas
- playing fields while organised sporting events are in progress
- St Leonards Oval (No. 1 and 2)
- Cremorne Reserve, Clark Park, Ancrum St Park, Coal Loader Centre for Sustainability and Platform

Council spent approximately \$104,000 on companion animal management activities. Council received \$16,916 in companion animal fund money

Legal Proceedings and Costs - LG Act s428(e)

During 2017/18, Council incurred legal costs in relation to legal proceedings as follows:

Register of Appeals and Court Matters

Legal Proceeding	Cost (\$)	Status	Result
Delegate Minister & NSW Dept of Premier and Cabinet	-\$10,885.39	Closed	Discontinued by consent.
Arixidia Pty Limited	\$0.00	Closed	Consent orders entered requiring cease of use by 1 June 2017 and payment of \$ 6,000 in legal costs.
Miki Ding	-\$249.30	Closed	Consent Orders for use of premises with undertakings provided as to use and pay \$ 7,000 in legal costs.
Australiagen Office Portfolio Sub TC Pty Limited	-\$602.25	Closed	Section 34 Agreement with Planning accepting further amendments.
Sam Busbridge	\$0.00	Closed	Section 34 Agreement with Applicant accepting further amendments.
Vantage 229 Pty Ltd	-\$254.10	Closed	Section 34 Agreement with Applicant accepting further amendments.
Connoisseur Property Holdings Pty Ltd	-\$96,068.78	Closed	Appeal upheld with amendments to the proposal and conditions of consent. Council awarded s97B costs.
Modog Pty Limited	\$0.00	Closed	Applicant files Notice of Discontinuance.
North Sydney Leagues Club (The Greens)	-\$523.60	Closed	Matter discontinued with an order to pay Council's costs. Costs paid in the amount of \$75,000.
North Sydney Leagues Club (The Greens)	-\$3,165.80	Closed	Appeal upheld with agreement to pay Council's costs of \$10,000.
Karimbla Properties (No.7) Limited (Meriton)	-\$41,800.00	Closed	Judgment in favour of Applicant N/A final orders. Further judgment on final orders. Council to pay Applicant \$260,466.92 but undertaking to repay if successful on appeal.
Karimbla Properties (No.37) Limited (Meriton)	-\$12,210.00	Pending	N/A
Davis	-\$55,583.14	Closed	Appeal upheld Applicant to pay S97B costs of \$1,000.
Modog Pty Limited	-\$65,438.80	Closed	Appeal upheld with order to amend proposal to reduce height and pay S97B costs.
Harris Farms Markets Pty Limited	-\$6,979.54	Closed	Judgment in favour of Council with costs ordered.
Modog Pty Limited	-\$14,630.00	Closed	Section 34 Agreement with Applicant amending plans.
Yang & Hu	-\$3,112.40	Closed	Section 34 Agreement with Applicant amending plans. Payment of s97B costs of \$ 2000.
Argus	-\$19,136.11	Closed	Settled by section 34 Agreement

Legal Proceeding	Cost (\$)	Status	Result
Y & C Investments Pty Limited	-\$8,322.93	Closed	Consent orders with costs of \$5,000 payable to Council.
Modog Pty limited	-\$2,140.60	Pending	N/A
Benmill Pty Ltd	\$0.00	Pending	N/A
Legge	-\$149,244.80	Closed	Dismissed
Legge	-\$34,620.29	Closed	Dismissed
Johnson and Taylor	-\$3,300.00	Closed	Section 34 Agreement to relocate air conditioning unit.
Modog Pty Limited	-\$41,210.76	Closed	Discontinued due to heritage listing of the property
Alexandra Kelly	-\$111,154.93	Closed	Appeal upheld but IHO varied as to term of expiry.
Modog Pty Limited	-\$39,476.00	Closed	Appeal dismissed. Section 97B costs awarded for and against Council to be agreed or assessed
Inspire Operations Pty Limited	-\$55,996.41	Closed	Appeal discontinued. Section 97B costs of \$10,000 and paid. Additional Section 97B costs awarded and to be agreed or assessed.
RebelMH Neutral Bay Pty Limited	-\$45,957.54	Pending	N/A
Roberts	\$0.00	Closed	Discontinued
Wavish	\$0.00	Closed	Section 34 Agreement with bulk of dwelling and scale of carport reduced.
Mullaly	-\$26,848.40	Closed	Section 34 Agreement with bulk and scale of dwelling reduced. Section 97B costs awarded in amount of \$ 2,500.00 paid.
Cook	-\$5,778.09	Closed	Appeal Discontinued.
Modog Pty Limited	-\$4,290.00	Pending	N/A
Antony and Wendy Tisch	-\$19,803.15	Closed	Section 34 Agreement with amendments and conditions.
Modog Pty Limited	-\$17,372.29	Closed	Section 34 Agreement
Active Kids Pre School of Excellence Pty Ltd, t/as Active Kids Group	-\$80,530.39	Pending	N/A
Wen Li Wang	-\$3,439.89	Pending	N/A
First Neon (Lavender St) Pty Ltd	-\$31,537.88	Pending	N/A
Modog Pty Limited	-\$43,819.15	Pending	N/A
Mosman Finance No. 5 Pty Limited	\$0.00	Closed	Applicant has amended the development addressing contentions. Section 34 Agreement.
86 Dunning Avenue Pty Limited	-\$39,970.37	Closed	Section 34 Agreement with amendments. Awarded S97B costs of \$ 23,818.00
Highbury Group Pty Ltd	\$0.00	Closed	Section 34 Agreement with amendments to modifications.
RebelMH Bent Pty Ltd	\$0.00	Pending	N/A
Wiesener	\$0.00	Closed	Section 34 Agreement
Platino Properties Pty Limited	-\$50,981.75	Pending	N/A
Bryan Belling and Christine Williams	\$0.00	Pending	N/A
Aidop No 2 Pty Limited	-\$9,408.30	Pending	N/A
Dixon Andrews Architects Pty Ltd	\$0.00	Pending	N/A
Hanyu Australia Pty Ltd	\$0.00	Pending	N/A
Betop Property Development Pty Ltd	\$0.00	Pending	N/A
The Owners Corporation SP 10698	\$0.00	Pending	N/A
Caroline Spring	-\$132,817.26	Closed	Summons dismissed with no order as to costs.
Delegate Minister & NSW Dept of Premier and Cabinet	-\$32,384.35	Closed	Appeal dismissed with costs ordered against Council.
Delegate Minister & NSW Dept of Premier and Cabinet	-\$17,925.07	Closed	Costs assessed and determined at \$411,379.79, but appeal subject to review. Reviewed by agreement and determined at \$400,000 payable to Council.
Tang	\$0.00	Closed	Fine of \$300 reduced to \$ 150.
Karimbla Properties (No.7) Limited (Meriton)	-\$40,501.00	Closed	Finalised as to the Council's intention to appeal.
Karimbla Properties (No.7) Limited (Meriton)	-\$53,006.09	Pending	N/A
Karimbla Properties (No.7) Limited (Meriton)	\$0.00	Pending	N/A
Bob and Johnny Pty Limited	-\$22,880.66	Closed	Summons dismissed with orders for Plaintiff to pay expenses of tenancy.
Linh Hoang Trinh	\$0.00	Closed	Appeal Dismissed
Aspire Strength and Conditioning Pty	\$0.00	Closed	Convicted and fined \$7,000 and ordered to pay costs

Legal Proceeding	Cost (\$)	Status	Result
Limited			of \$500.
Brendan Dia (Dia's Golden Crown Restaurant)	-\$5,301.05	Closed	Convicted and fined \$ 40,000 and ordered to pay costs of \$ 2,835.00
Choi trading as "North Sydney Massage"	-\$29,325.81	Closed	Convicted and fined \$5,000 and ordered to pay costs of \$5,000.
Pindan Capital Eden Lane North Sydney Pty Limited. Memo to commence	-\$186.00	Closed	Prosecution withdrawn.
Kane Constructions Pty Limited	\$0.00	Closed	Convicted and fined \$6,000 and ordered to pay costs of \$800.00.
Kane Constructions Pty Limited	\$0.00	Closed	Convicted and fined \$7,500 and ordered to pay costs of \$1,000.00
Wild Basket Neutral Bay Pty Limited	-\$1,802.00	Closed	Prosecution withdrawn.
Murad	\$0.00	Closed	Convicted and fined \$1,100 and ordered to pay costs of \$500.00
Lam	\$0.00	Closed	Convicted and fined \$ 4,000 and ordered to pay costs of \$750.00
Konishi T/as Kibune Japanese Restaurant	-\$186.00	Closed	Convicted and fined \$ 3,000 and ordered to pay costs of \$750.00
W Sony Pty Limited t/a Ainoya	-\$279.00	Closed	Convicted and fined \$ 4,800 and ordered to pay costs of \$ 1,079.00
Laing O'Rourke Australian Mount Street Pty Limited	-\$93.00	Pending	N/A
Sydney Poster (NSW) Pty Limited	\$0.00	Pending	N/A
AHS Trading Australia Pty Limited trading as "The Colonial"	-\$93.00	Closed	Convicted and fined \$3,300 and ordered to pay \$ 1,293.00 costs.
The Owners Corporation SP 10698	\$0.00	Pending	N/A
Torod Peter Holst	\$0.00	Pending	N/A

Stormwater Management Services (Stormwater Management - Reg cl 217(1)(e))

Council has levied an annual charge for stormwater management services since July 2013. The following projects were completed using funds from this charge:

- Little Young St Gas Pollutant Trap, Cremorne
- Milson Rd, Cremorne Point
- Oaks Avenue, Cremorne
- Waruda Ave, Kirribilli
- Anzac Ave, Cammeray
- Cammeray Golf Course
- Gas Pollutant Trap, repairs at Hamilton Ln, Cammeray
- Gas Pollutant Trap repairs at Hayes St, Neutral Bay
- Gas Pollutant Trap, repairs at Honda Rd, Cremorne Point
- Kareela Ln, Cremorne Point
- Milner Cres, Wollstonecraft
- Young St at Denos Ln, Cremorne
- Russell St, Wollstonecraft
- 870m of stormwater drainage relined at various sites

Special Rates and Levies

Council previously successfully applied in to the Independent Pricing and Regulatory Tribunal for a special variation to its general income. The increase granted was 5.5% (inclusive of the rate peg) per annum until 2017/18. In 2016/17, the special variation generated approximately \$1.4 million of additional revenue above that which would have been the case had only the rate peg been applied. This revenue made a small contribution to the capital works program.

Council’s revenue from rates also includes an Environment Levy, Infrastructure Levy, Crows Nest Mainstreet Levy and a Neutral Bay Main street Levy.

Grants and Donations Local Government Act 1993 s356

\$936,000 was contributed or otherwise granted under section 356 (financially assist others) by the Council in 2017/18.

Donations, contributions and assistance to other organisations (section 356)	\$,000
Aboriginal Heritage Office	\$42
Crows Nest Centre	\$396
Crows Nest main street	\$16
Neutral Bay main street	\$16
North Sydney Community Centre	\$70
Nutcote	\$45
Other organisations	\$351
Total	\$936

Multicultural Services and Programs - LG Act s428(2)(j)

Council’s programs to promote services and access for people with diverse cultural and linguistic backgrounds consistent with principles of multiculturalism involved:

Harmony Day

Observed across Australia in March each year, is a day of cultural respect celebrating diversity, belonging and multiculturalism.

Two events were held to celebrate Harmony Day. Lunch and Cultural Celebration was organised by Council and hosted by the Crows nest Centre. It featured:

- a dance by Uncle Peter Williams, an Elder from the Garul Gigula Clan of the Ngemba Tribe,
- the Blue River Choir which includes women from all over Bosnia and the wider Balkan region, who now live in Sydney.
- the Multicultural Writers group, represented by Suzanne Little and Visnja Majewski who read for the gathering.
- Roje Ndayambaje born in Congo and raised in Uganda in a Rwandan family shared his poetry
- Shobha Ingleshwar, Director of OM Multicultural Get2gether and Lotus Holistic Healing, also performed.

Lower North Shore Multicultural Network

North Sydney Council chaired and prepared agendas and guest speakers for the quarterly Lower North Shore Multicultural Network meetings. Council co-ordinated the Migrant Employment project sub-committee to investigate and update an employment and training guide for migrants and refugees.

The Guringai Festival

Founded in 2001, the Guringai Festival raises awareness of Aboriginal and Torres Strait Islander people living in the Northern Sydney region.

Council organised a number of events for the 2018 Guringai Festival:

- An Explorers’ Playgroup Guringai experience for pre-schoolers
- Aussie bush food at the Crows Nest Centre
- Women, Water and Wellbeing at the Mater; and
- Traditional basket weaving at Stanton Library.

Diwali (Hindu Festival of Light)

This was celebrated at Brett Whiteley Place in October 2017 with dance, henna and sweet treats.

Children's Services and Programs - LG Act s428(2)(r) and Reg cl 217(1)(c)

Council continued to work with inclusion support services in Vacation Care (through KU Children's Services) and Family Day Care. This has increased access and opportunities for children with disabilities, children from non-English speaking backgrounds and Aboriginal and Torres Strait Islander children.

Through Council's Community Grants and Subsidies, funds of \$16,200 were granted to community-based Occasional Care and other children's services in the Local Government Area. Council's Olympic Pool Crèche provided \$22,503 in subsidy. In addition, parking and gardening subsidies of \$52,127 annually for parents and carers using children's services is provided.

Council provided \$77,013 to the Nutcote Trust, (cash, offset of rates and maintenance) for children's museum services. Capital works of \$50,545 was allocated to child care facilities during the year, including removing unsafe trees and playground improvements at Kelly's Place and Kidsnest.

The North Sydney Children's Festival, held annually, is a free event, costing \$16,366 in 2017.

The development of all children's services are monitored and reviewed by Council through the *Children's Services Strategic Plan* to assess development trends and the community's capacity to meet child care needs.

Disability Inclusion Act 2014 s 13(1)

Council completed and adopted the its *Disability Inclusion Action Plan 2016-2019 (DIAP)* in November 2016. This is an all of Council approach, with consultants, the Australian Network on Disability (AND), developed the DIAP to improve access and inclusion in our community. The DIAP details the steps Council will take to increase accessibility and promote inclusion both within our organisation and to our local community.

The project group is drawn from Council staff. The group is comprised of representatives from the following Council departments:

- Customer Services (COS)
- Communications and Events (COS)
- Community Development (CLS)
- Environmental and Building Compliance (CIS)
- Environmental Sustainability (OSE)
- Information Technology (COS)
- Parks and Reserves (OSE)
- Procurement Services (COS)
- Stanton Library (CLS)
- Workforce Planning (CIS)

Key achievements:

Liveable Communities

- Access audit of ten of Council's most commonly frequented parks and eight most highly used buildings, identifying access barriers and areas for improvement.
- Removal of locks requiring Master Locksmith Access Key (MLAK) entry into restroom facilities in all Council-owned parks, ensuring facilities are accessible to all.

- Upgrade of signage and wayfinding at Stanton Library and Council Chambers (exterior)
- Development of an Events Checklist, ensuring all Council run events consider accessibility and inclusion in the program design.

Employment

- Independent review of Council's recruitment practices, ensuring no unintended barriers exist for people with disability to apply for Council jobs.
- Independent review and redesign of Council's *Workplace Adjustments Policy*.

Systems and Processes

- Implementation of specialised software to identify access barriers on Council's website.
- Delivery of training to customer facing teams on welcoming people with disability.

Carers Recognition Act 2010 (CR Act), s 8(2) Compliance

Carers and people being cared for are supported through service provision offered through our community centres.

The Crows Nest Centre provides in-home support to people requiring additional assistance to enable them to remain living at home.

Information and advice is provided to carers and people requiring assistance by Council's Access and Inclusion Coordinator.

Swimming Pools Act 1992 (SP Act), s 22F(2) Swimming Pools Regulation 2018 (SP Reg) cl 23

Details of inspections of private swimming pools:

Number of inspections of tourist & visitor accommodation - 0 inspections. North Sydney Council do not have a high number of tourist and visitor's accommodation with swimming pools, and all were previously inspected within the last 3 year cycle.

Number of inspections of premises with more than 2 dwellings - 9 inspections.

Number of inspections that resulted in issuance of a certificate of compliance under s22D of the SP Act - 70 inspections.

Number of inspections that resulted in issuance of a certificate of noncompliance under cl 21 of the SP regulation - 27 Inspections.

Processing of Development Applications (DAs)

Council operates a fully comprehensive building and development approval service that assesses all applications to build, demolish or develop properties. The service includes the issuing of building certificates and development approvals, building inspections and advice on building regulations. The service ensures that all development within the local government area is approved according to the Local Environmental Plan any relevant legislation such as the *North Sydney Environmental Planning and Assessment Act 1979*.

The total number of residential development applications in North Sydney remains relatively static over the past 5 years. Residential DAs represent 67% of all DAs processed by Council with commercial DAs making up the next largest group at 23.5% of all DAs processed. (Figures are inclusive on 4.55 modifications)

A total of 382 dwellings were approved by Council in 2017/18.

New Dwellings Approved

	2017/14	2014/15	2015/16	2016/17	2017/18
Dwellings Approved	419	176	262	735	382

Stimulating Development

2017/18 saw a number of large scale development proposals lodged with a combined total for estimated cost of works greater than \$251 million.

Four major developments are currently under construction. These include:

- 118 Mount Street, North Sydney
- 100 Mount Street North Sydney
- 1 Denison Street North Sydney (aka 77 Berry Street)
- 101-103 Willoughby Road Crows Nest

Contribution Plans

During 2017/18, Council received \$6,015,734.19 in funding from S94 Contributions.

DA Tracking

The electronic DA tracking tool is a secure online DA lodgement and tracking service. It allows the tracking of DAs for the entire DA lifecycle - from initial application lodging through to assessment.

Performance against the 2017/18 Delivery Program/Operational Plan

Our performance is measured against the strategic directions, outcomes and strategies of the *Community Strategic Plan 2013-2023*. We assess how our activities to date, monitored via the annual Operational Plan have progressed towards our desired outcomes and our community's vision to ensure we are on track.

The *Community Strategic Plan 2013-2023 and 2017/18 Delivery Program/Operational Plan* comprise five key directions:





- Our Living Environment
- Our Built Environment
- Our Economic Vitality
- Our Social Vitality
- Our Civic Leadership

During 2017/18 Council undertook 134 projects in line with these key directions. As at 30 June 2018 79.85% of projects were on track. Of those projects 115 projects were completed, 20 projects were delayed and carried over to 2018/19 and 7 projects were discontinued.

The following is a summary of end of year performance against the *2017/18 Delivery Program/Operational Plan*, extracted from the Biannual Performance Review which was adopted by the Council at its meeting on 29 October 2019.

Performance Status

Each project has been assessed and given a traffic light rating indicating its achievement of deliverables/scope in line with the schedule:

-  On track. Completion of 90%+ of the scheduled requirements for period
-  Delayed. Expect will be back on track in the next reporting period. Completion of 75%-89% of the scheduled requirements for period
-  Project not finished on time/not delivered. Completion is less than 75% of the scheduled requirement for period.
-  Project not scheduled to commence this period.

Direction 1: Our Living Environment

15 projects on track, 4 projects delayed

Highlights

- The seawall, retaining wall and safety barriers maintenance program made significant progress
- 3,243 fence painting projects were completed
- 1,483m of cycle ways were installed
- Kesterton Park playground was upgraded and opened in March 2018
- Street furniture upgrades were completed across the LGA

Challenges

- The Upgrade of the Kurraba Reserve kayak storage was held up due to a rock falling from the cliff face, this is in process of being made stable before the works commence.

Direction 2: Our Built Environment

50 projects on track, 9 projects not delivered

Highlights

- The Alexander Street Carpark and Supermarket re-development won the 2017 Urban Taskforce Award for Best Retail Development in NSW.
- The Ward Street Masterplan Stage 2 was endorsed by Council in June 2018, for public exhibition.
- The Mitchell Street Plaza public domain was completed in June 2018. The project well received by workers, residents and visitors to St Leonards.

Challenges

- Ensuring all our assets are maintained to a reasonable level to meet the needs of the community with much of our infrastructure built over 40 years ago.
- Investing in and managing assets and infrastructure in a constrained financial environment.
- Balancing the approach to land use, residential amenity, business development and environmental issues.

Direction 3: Our Economic Vitality

6 projects on track, 1 project delayed, 1 project not delivered

Highlights

- Hundreds attended the Twilight Food Fair, BBQ by the Bridge and Bradfield Bark events, with positive feedback received for all events.
- Major Public Domain works as part of Council's infill program were undertaken on both sides of Pacific Highway in the North Sydney CBD and also at the entry to Blue Street in front of the Harbour View Hotel.
- North Sydney relaunched a destination for business and residents under a new brand, last financial year. The brand centres on the tagline 'Happiness Works Here'. The Nth Syd Happiness Works Here campaign strategy was revised in 2017/18. There was strong attendance at events and solid growth in the communications channels. For further information visit <http://nthsyd.com/>.

Challenges

- Balancing the pressure for residential development with protecting key sites which support North Sydney's business and commercial roles.

Direction 4: Our Social Vitality

17 projects on track, 4 projects not delivered.

Highlights

- The “Red Project” was very successful, celebrating creative women in North Sydney. This cultural event provided a broad view of contemporary visual practice whilst celebrating women’s resilience, creativity and ingenuity.
- 127 people attended the car restraint fitting sessions, with 26 seats installed and 157 adjusted.
- New furniture and fittings were installed at Stanton Library as part of Masterplan Stage 1 (Part 2), this has improved facilities in response to the results of the Customer Satisfaction Survey (2016)

Challenges

- The restoration of the Primrose park Art & Craft Centre was delayed due to a counsellor briefing in response to public submissions. The project is on track to be delivered in November 2018.
- The installation of the St Peters Park Sculpture was delayed by council due to an unsuccessful development application. This is on track to be delivered in November 2018.
- The McMahons Point Centre playground update was delayed due to the absence of a parent management committee. Completion due November 2018.
- Council has highlighted to the Commonwealth Government issues surrounding the affordability of care in the North Sydney area.

Direction 5: Our Civic Leadership

27 projects on track, 6 projects delayed, 2 projects not delivered












Highlights















- We have engaged with our community to inform preparation of the community strategic plan. We undertook an extensive community engagement program to ensure all stakeholders had the opportunity to contribute in November 2017 to March 2018.
- We have undergone continued Digitalisation of council records improving public accessibility to these plans and reports as well as linking with our community via social media.








Challenges

- There is limited opportunity to increase Council’s finances and limited resources for non-core services. We need to continue to do more with less, rethink sources of income and balance the competing needs of the community in the allocation of resources.
- As Council has finite resources there needs to be ongoing dialogue with residents to manage expectations and optimise service delivery. With people changing jobs more frequently than in the past, we also need to manage our systems to ensure we retain corporate knowledge and can maintain service standards.
- There are legislative obligations imposed by the State Government which put additional pressure on resources. Since local government is not recognised in the constitution, we must respond to new legislative requirements and the allocation of responsibility from other levels of government.
- There is increased demand for information and accountability. Council needs to equip ourselves against information security threats.

Project Performance Updates:

CSP Outcome	Project #	QBL Link	Project	Scheduled End Date	Comments	% YTD	Status
1.2	P128	Env	Implement Streets Alive and Community Gardens Programs	Jun-18	Coal Loader community gardens supported by more than >50 gardeners. New community gardens proposed.	100%	
1.3	P70	Env	Undertake GPT capital upgrade program	Jun-18	Little Young Street completed March 2018.	100%	
1.3	P71	Env	Undertaken GPT Cleaning Program	Jun-18	448.41 tonnes of material removed from Council's GPT's.	100%	
1.3	P72	Env	Undertake GPT Maintenance Program	Jun-18	6 of Council's 27 GPT's had significant maintenance works. Upgrades increase capacity and overall performance.	100%	
1.4	P14	Env	Investigate CBD noise monitoring program	Jun-18	No complaints since program was launched, a big improvement.	100%	
1.5	P22	Env	Prepare Plans of Management for Anderson and Tunks Parks	May-18	Draft strategies prepared in response to feedback received to date. (Note: draft strategies endorsed for public exhibition at the Council meeting held 27 August 2018.)	100%	
1.5	P129	Env	Activate Coal Loader Platform	Jun-18	Coal Loader Activation Strategy drafted. Platform is being promoted to potential users. A number of hire enquiries already received.	100%	
1.5	P130	Env	Conduct public launch of Coal Loader Platform	Mar-18	Launched 24 March 2018, a great success. 5,000+ people attended.	100%	
1.5	P131	Env	Upgrade Kesterton Park playground	Jun-18	Opened May 2018.	100%	
1.5	P132	Env	Upgrade Brennan Park playground	Jun-18	Consultation regarding concept plan closed February 2018. Completion Q1 2918/19.	75%	
1.5	P133	Env	Upgrade Kurraba Reserve kayak storage	Jun-18	Remediation has held up project, rock fell out of cliff face. To be made stable prior to works commencing.	75%	

CSP Outcome	Project #	QBL Link	Project	Scheduled End Date	Comments	% YTD	Status
1.5	P134	Env	Install Cremorne Reserve interpretive signage	Jun-18	Designs complete. Engaged fabrication. Awaiting installation.	75%	
1.5	P135	Env	Implement St Leonards Park Masterplan	Jun-18	Detailed design for Stage 1 on track.	100%	
1.5	P136	Env	Implement Parks Plans of Management	Jun-18	Ongoing program	100%	
1.5	P143	Env	Replace park furniture throughout all parks, reserves and sportsfields LGA wide	Jun-18	Ongoing program	100%	
1.5	P144	Env	Replace fencing (in part) throughout all parks, reserves and sportsfields LGA wide	Jun-18	Ongoing program	100%	
1.5	P145	Env	Replace pathways (in part) throughout all parks, reserves and sportsfields LGA wide	Jun-18	Ongoing program	100%	
1.5	P146	Env	Replace signs (in part) throughout all parks, reserves and sportsfields LGA wide	Jun-18	Ongoing program	100%	
1.5	P147	Env	Construct Bicentennial fence	Dec-17	Work in progress. Completion Q1 18/19.	75%	
2.1	P55	Soc	Implement Emergency Service Property Levy	Jun-18	FESL deferred by State Government.	100%	
2.1	P64	Soc	Undertake inventory and condition data collection	Jun-18	Kerb and Gutter, Traffic Facilities, Retaining Walls, Seawalls and Marine Structures Condition Audits complete. Information included in Asset Management Plans per Asset class.	100%	
2.1	P64	Soc	Undertake sea wall condition audit	Dec-17	Seawalls Condition Audits completed. Information included in updated Asset Management Plan.	100%	
2.1	P65	Soc	Undertake retaining wall condition audit	Jun-18	Retaining Walls Condition Audits completed. Information included in updated Asset Management Plan.	100%	
2.1	P66	Soc	Undertake roads reconstruction and rehabilitation program	Jun-18	In 2017/18, 43,940m of Council roads were re-sheeted including a combination of heavy patching and re-sheeting. 82 x heavy patching and re-sheeting jobs were completed across the LGA, 30 of those in Q4.	100%	
2.1	P73	Soc	Undertaken designs for drainage capital works program	Jun-18	Drainage Designs for the 2018/19 financial year completed. Stormwater Catchment Studies continuing, progress report and next steps were presented to Council April 2018. Designs completed for Kareela Ln, Cremorne Point; Paling St, Cremorne; Prior Ave, Cremorne; and Young St at Denos Ln, Cremorne	100%	

CSP Outcome	Project #	QBL Link	Project	Scheduled End Date	Comments	% YTD	Status
2.1	P74	Soc	Implement drainage capital works program	Jun-18	8 x stormwater drainage lines projects - 739 lineal metres of stormwater drainage lines upgraded in 2017/18.	100%	
2.1	P75	Soc	Undertake footpath reconstruction program	Jun-18	40 major footpath projects completed in 2017/18 - 14,636sqm of footpath reconstructed in 2017/18, consisting of concrete footpath, granite paving and concrete precast paving projects	100%	
2.1	P76	Soc	Undertake Kerb and Gutter Program	Jun-18	Works complete and budget is expended. Projects completed in Q4 include: Carter St (Nth side), Cammeray; Arkland St to Tiley St; Ben Boyd Rd, Neutral Bay; Lindsay St to Hardie St; Blues Point Road, North Sydney; Blue St to Lavender St; Burlington St, Crows Nest; West St to Alexander Ln; Carlyle Ln, Wollstonecraft; Carlyle St to Cul-de-sac; Milson Rd, Cremorne Point; Murdoch Rd to Sirius St; Alexander Ln, Crows Nest; Chandos Ln to Atchison St; Anderson St, Neutral Bay; Barry St to Cul-de-sac; Barry St, Neutral Bay; Cremorne Ln, Cremorne Point; Crescent Place, Kirribilli; Humphrey Pl to Bligh St	100%	
2.1	P77	Soc	Undertake marine structures capital program	Jun-18	Completed projects: Lavender bay boardwalk - defect rectification works; Sea wall repairs and replacement works completed: - Sawmillers Reserve, McMahons Point; Milson Park, Kirribilli; Anderson Park, Neutral Bay; Blues Point, McMahons Point	100%	
2.1	P78	Soc	Undertake retaining wall capital program	Jun-18	Original program for 2017/18 completed - other urgent works identified and works underway. Major retaining wall projects completed over the last 6 months include: Bay View St, Lavender Bay at East Crescent; Carabella St, Kirribilli; Cremorne Rd, Cremorne Point; Green St, Cremorne Point, sandstone wall; Carabella St, Kirribilli; Cremorne Rd, Cremorne Point; Green St, Cremorne Point, sandstone wall; High St, North Sydney; Montpelier St, Neutral Bay Rock Face; Upper Pitt St, Kirribilli; Middlemiss St, North Sydney. Sandstone wall rockface stabilisation	100%	
2.1	P94	Soc	Undertake banner hire and banner recycling program	Jun-18	Council's Banner Hire program continues to build. Recent hirers include the French Film Festival, the Women's Big Bash and Women's Ashes Series and sporting events at North Sydney Oval. These banners added vibrancy to the Council's streetscapes and CBD and over \$15,000 in hiring fee revenue for Council. Council is working on Marketing its Banner Hire Program through the development of a brochure, updated website and directly approaching major corporates who sponsor events in North Sydney. Council's EPS Division directly approached the CEOs of the NRL, ARU, Cricket Australia, Soccer Australia and the AFL to promote the use of its Banner Hire Programs for sporting events, in particular targeting the promotion of Women's Sporting events at North Sydney Oval.	25%	
2.1	P79	Soc	Undertake roads reconstruction program	Jun-18	In 2017/18, 43,940 of Council roads were re-sheeted - this included a combination of heavy patching and re-sheeting. 82 x heavy patching and re-sheeting jobs 82 projects were completed - 30 jobs completed in the last quarter.	100%	

CSP Outcome	Project #	QBL Link	Project	Scheduled End Date	Comments	% YTD	Status
2.1	P80	Soc	Undertake safety barriers capital program	Jun-18	In 2017/18, safety barrier projects completed - Doris St, North Sydney; Morden St, Cammeray, West St and Palmer St, Cammeray.	100%	●
2.1	P81	Soc	Undertake sea wall capital reconstruction program	Jun-18	Sea wall condition audit complete. More priority works identified by Council's consultant. Findings from this Condition Audit included in the Asset Management Plan. Form basis of budget bid for Priority Seawall works for the next 3-year Delivery Program and beyond. Priority Seawall works have been assessed against Council's basic Risk Management framework for Council infrastructure which includes Public Safety, Public Liability, Reputational Risk to Council and Community Expectations.	100%	●
2.1	P82	Soc	Undertake bus shelter replacement program	Jun-18	In 2017/18, Council's property maintenance team have replaced 3 Bus Shelters across the LGA in accordance with Council's Public Domain Style Manual. These include new bus stops at Spruson St, Neutral Bay, Montpelier St, Neutral Bay, Benelong Rd, Cremorne.	100%	●
2.1	P93	Soc	Undertake Nutcote Stage 2	Jun-18	Stage 2 upgrade 25% complete - requested works being scoped.	25%	●
2.1	P96	Soc	Undertake upgrade of property portfolio	Jun-18	Holterman Street carpark repaint complete. Neutral Bay Community Centre public toilet upgrade complete. North Sydney Community Centre solar panels complete. Neutral Bay Community Centre awning and new signage package commencing shortly.	100%	●
2.1	P97	Soc	Implement Public Amenities Strategy	Jun-18	Council's public amenities strategy and action plan upgraded by the consulting architect, projects implemented in accordance with the plan including the investigation of expanding toilet facilities in the Alexander Street Carpark supermarket facility and at the newly opened Coal Loader site. Council has completed the upgrade of the Neutral Bay Community Centre toilets in accordance with the strategy.	100%	●
2.1	P139	Soc	Implement North Sydney Olympic Pool Business Plan	Jun-18	Business plan being effectively implemented	100%	●
2.1	P98	Soc	Upgrade North Sydney Oval grandstands	Jun-18	Major heritage restoration works completed September 2017. Including upgrades to North Sydney Oval - McCartney Stand, Duncan Thomas Stand, O'Rielly Stand.	100%	●
2.1	P99	Soc	Maintain North Sydney Oval grandstands	Mar-18	See above comment	100%	●
2.1	P101	Soc	Upgrade pedestrian crossing lighting	Jun-18	New lighting designed. To be installed in Ridge Street at pedestrian crossing. Expect completion Q1 2019. Lighting designs for Cremorne Point accepted by Ausgrid, who will remove overhead wires and undertake works.	100%	●
2.1	P137	Soc	Install North Sydney Olympic Pool temporary grandstand shade structure	Mar-18	Project completed for summer school carnivals.	100%	●

CSP Outcome	Project #	QBL Link	Project	Scheduled End Date	Comments	% YTD	Status
2.1	P138	Soc	Install new liner at North Sydney Olympic Pool	Sep-17	Liner has been repaired. Plan to replace liner cancelled in line with pending pool redevelopment.	100%	●
2.2	P9	Soc	Create link between Council's development application tracking and other corporate systems	Dec-17	Project on hold pending other IT work to create links between DA Tracking and Council's corporate systems.	25%	●
2.2	P10	Soc	Review hoarding process	Sep-17	New guidelines and invoicing processes in place.	100%	●
2.2	P11	Soc	Review NSIPP procedures	Dec-17	Procedure updated to reflect change to NSLPP and EP&A Act changes.	100%	●
2.2	P12	Soc	Review standard conditions of consent	Dec-17	Ongoing/annual review.	100%	●
2.2	P13	Soc	Review Urban Design Excellence Panel functionality	Dec-17	New Panel appointed within financial year.	100%	●
2.2	P15	Soc	Implement food premises 'Scores on Doors' initiative	Jun-18	Implemented per Food Authority regulations.	100%	●
2.2	P16	Soc	Implement cooling tower inspection program	Jun-18	Program brought in-house; inspections now conducted by Council staff.	100%	●
2.2	P20	Soc	Undertake taxi compliance operation	Jun-18	Taxi operations ongoing.	100%	●
2.2	P23	Soc	Prepare Planning Proposals associated with the North Sydney LEP and DCP amendments	Jun-18	Council adopted final Planning Proposal and DCP amendments at its meeting on 19 February 2018. The PP is now with the Department of Planning and Environment for gazzetal.	100%	●
2.2	P86	Soc	Undertake Parraween Street mixed use redevelopment	Jun-18	Project currently on hold and is unfunded in 2018/19.	25%	●
2.3	P83	Soc	Upgrade streetscape lighting upgrades	Jun-18	7 lighting upgrade projects completed. Including Anderson Park, High Street, Waterhen Drive, Mitchell Street Plaza, Napier Street, Ernest Plaza and Elizabeth Plaza.	100%	●
2.3	P85	Soc	Upgrade Edward and Mount Streets	Jun-18	Construction Contract signed. Works commenced in Q4.	90%	●
2.3	P87	Soc	Implement Pacific Highway Crows Nest and St Leonards public domain upgrade	Jun-18	Works out side the Crows Nest Hotel completed November 2017. Public domain upgrade of Pacific Highway between Alexander St and Falcon St - Crows Nest completed in March 2018.	100%	●
2.3	P88	Soc	Implement Education Precinct Masterplan	Jun-18	Currently under construction - Pacific Highway (west side between Charles Street to Berry Street), Napier/Charles Sts and Edward/Mount Sts intersection.	90%	●

















CSP Outcome	Project #	QBL Link	Project	Scheduled End Date	Comments	% YTD	Status
2.3	P89	Soc	Upgrade St Leonards East public domain	Jun-18	Mitchell Street Plaza public domain complete June 2018. The project well received by workers, residents and visitors to St Leonards.	100%	●
2.3	P90	Soc	Upgrade North Sydney Olympic Pool complex	Jun-18	Tenders prepared and a Specialist Consultant Team and Project Manager engaged for the redevelopment of NSOP in March/April 2018. The Detail Design Development of Option 2 for the redevelopment is currently underway.	100%	●
2.3	P91	Soc	Roll out streetscape upgrades (Crows Nest Masterplan)	Jun-18	Ernest Plaza Stage 4 - outside "Grazelands Bar and Grill" completed this year. Extension of decorative lighting in the street trees to Alexander St. Project very well received by businesses and visitors. Decorative lighting installed in Willoughby Road as requested by Crows Nest Mainstreet. The public domain upgrade of the Pacific Highway between Alexander St and Falcon St, Crows Nest completed in March 2018. Works outside the Crows Nest Hotel completed in November 2017. The next stage of works along Willoughby Rd to Burlington St is currently out to tender.	100%	●
2.3	P92	Soc	Upgrade Willoughby Road public domain	Jun-18	Tender and construction documents completed. Works will commence once budget allocated.	100%	●
2.3	P95	Soc	Undertake Neutral Bay public domain upgrade	Jun-18	Public Domain upgrades in Neutral Bay and Cremorne will not go ahead until the TFNSW B-line project is completed.	0%	●
2.5	P24	Env	Refine and implement CBD Transport Masterplan	Jun-18	Working sessions with internal PCG and transport agencies have occurred. Modelling work has been completed and will be reported to Council for endorsement for further negotiation with Transport agencies.	90%	●
2.5	P102	Soc	Design, construct and implement North Sydney Integrated Cycling Strategy projects and actions	Jun-18	Ridge Street and Merlin Street commenced Q4. Completion Q1 2019.	100%	●
2.5	P103	Soc	Implement Active Transport on Kurraba Road	Jun-18	Did not receive RMS funding. Partial Council funds allocated in 2017/18 were reallocated to other active transport projects including Ridge Street and Merlin Street.	0%	●
2.5	P104	Soc	Implement Active Transport education programs	Jun-18	Council developed "Make Your Move" in collaboration with Anzac Park Public School, to encourage, empower and enable students to get physically active on their journey to school.	100%	●
2.5	P105	Soc	Implement Active Transport - Winter Avenue and Bent Streets Neutral Bay	Jun-18	Stage 1, Bent Street complete. Stage 2 - Winter Avenue subject to funding.	50%	●
2.5	P106	Soc	Implement Active Transport Young Street Neutral Bay	Jun-18	This project was not funded in 2017/18.	0%	●

CSP Outcome	Project #	QBL Link	Project	Scheduled End Date	Comments	% YTD	Status
2.5	P107	Soc	Implement the Integrated Cycling Strategy	Jun-18	Council completed Sutherland St cycleway connection. Council's permanent "cycle counter" on Ernest St has recorded over 3,339, trips on the cycleway for February. Active transport facilities installed along Bannerman St and Murdoch St.	100%	●
2.6	P108	Soc	Implement Local Area Traffic Management Plans	Jun-18	Local Area Traffic Management (LATM) Action Plans adopted by Council in December 2017. Action Plans implemented based on priority and funding availability.	100%	●
2.6	P109	Soc	Upgrade Active Transport - Oxley and Albany Streets Crows Nest intersection	Jun-18	Design complete. Construction carried forward to 2018/19 to allow for community consultation and avoid conflict with adjacent developments.	25%	●
2.6	P110	Soc	Install minor traffic facilities	Jun-18	New pedestrian facilities installed at McLaren St, Lavender St, Pacific H'way at Demonstration School, Anzac Ave and Burlington St, Crows Nest. All facilities received positive feedback from community and businesses.	100%	●
2.6	P111	Soc	Undertake parking meter replacement program	Jun-18	Ongoing program to replace damaged parking meters.	100%	●
2.6	P112	Soc	Expand parking meter network Stage 1	Jun-18	New parking meters installed in Areas 9 and 10. Consultation and Traffic Committee approval completed for Area 19. Additional parking meters to be installed in Q1 2019.	100%	●
2.7	P21	Soc	Investigate parking sensor integration	Sep-17	The program is now in place. The number of noise complaints are lower than initially anticipated.	100%	●
2.7	P100	Soc	Alexander Street Carpark	Jun-18	Alexander Street Carpark and Supermarket re-development won the Urban Taskforce Award for Best Retail Development in NSW in Sept 2017.	100%	●
2.9	P113	Soc	Install public holiday parking restriction signage	Jun-18	Adjustments to signage and parking meter configurations commencing in the areas with the highest parking demand. Kirribilli and Milsons Point complete. Preparation for Crows Nest signage and parking meter configurations complete. Signs to be changed by October 2019.	100%	●
3.1	P17	Eco	Implement Economic Development Strategy with a focus on innovation	Jun-18	Many actions completed, with several integrating with other sub plans/strategies across Council.	100%	●
3.1	P26	Eco	Refine and implement Ward Street Masterplan	Jun-18	Council adopted revised Draft Masterplan June 2018. Public exhibition in progress until 8 October 2018.	90%	●
3.1	P25	Eco	Crows Nest Priority Precinct	Jun-18	Pending advancement from the Dept of Planning. The Dept of Planning indicating that public exhibition of the Land Use and Infrastructure Implementation (LUIIP) document is imminent for last 4 months. TA State Infrastructure Contributions (SIC) framework to be exhibited concurrently. Submission to be prepared in response to this exhibition.	75%	●

CSP Outcome	Project #	QBL Link	Project	Scheduled End Date	Comments	% YTD	Status
3.2	P84	Eco	Conduct North Sydney Centre infill program	Jun-18	Major Public Domain works as part of Council's infill program have been undertaken in 2017/18 on both sides of Pacific Highway in the North Sydney Centre and also at the entry to Blue street in front of the Harbour View Hotel.	100%	●
3.3	P45	Eco	Revise and update marketing strategy for Nth Syd Happiness Works Here Campaign	Jun-18	Strategy updated and being implemented. Strong attendance at all events and steady growth in all Nth Syd communications channels.	100%	●
3.3	P46	Eco	Undertake operations and promotions for events	Jun-18	Strong attendance for Twilight Food Fair season, BBQ by the Bridge and Bradfield Bark with positive feedback received for all events.	100%	●
3.3	P140	Eco	Upgrade PA system at North Sydney Oval	Apr-18	Contractor installed in April 2018.	100%	●
3.3	P141	Eco	Upgrade Duncan Thompson Stand corporate facilities at North Sydney Oval	Jun-18	Once remediation work has been completed, corporate facilities will be upgraded.	50%	●
4.1	P18	Soc	Develop a place making policy and framework	Dec-17	Deferred to 2018/19 as links to several major Strategic Planning Department projects which are setting place making objectives for the LGA e.g. North Sydney CBD Public Domain Strategy, Ward St Masterplan Stage 2.	50%	●
4.3	P32	Soc	Restore Primrose Park Art and Craft Centre	Mar-18	Delayed following Councillor Briefing in response to public submission. Completion by November 2018.	50%	●
4.3	P33	Soc	Install St Peters Park Sculpture	Jun-18	Delayed by Council. Unsuccessful DA on proposed sculptures on the Harbour. Completion by November 2018.	50%	●
4.3	P34	Soc	Implement Arts and Cultural Development Strategic Plan	Jun-18	Innovative "The Red Project" highly successful.	100%	●
4.3	P44	Soc	Launch refurbished Don Bank museum in conjunction with Australian Catholic University	Dec-17	Museum and garden refurb completed. Launched with ACU in attendance 30.11.2017. Emeritus professor Ed Campion guest speaker.	100%	●
4.6	P42	Soc	Implement Stanton Library Masterplan Stage 1 (Part 2) furniture and fittings	Dec-17	Increased usage across all areas.	100%	●
4.6	P43	Soc	Manage the restructure of Shorelink	Jun-18	New Shorelink Deed signed. February 2018.	100%	●
4.7	P35	Soc	Review and implement Children's Services Strategic Plan	Jun-18	Draft plan prepared in response to consultation conducted in November 2017 to April 2018. (Note: draft plan endorsed for public exhibition at the Council meeting held 27 August 2018).	100%	●

CSP Outcome	Project #	QBL Link	Project	Scheduled End Date	Comments	% YTD	Status
4.7	P36	Soc	Implement Older Persons Plan	Jun-18	Plan ended 2017. Consultation for revised plan occurred in March/April 2018. Draft revised plans to be reported to Council in October 2018.	100%	●
4.8	P37	Soc	Update community centres equipment and playgrounds	Jun-18	McMahons Point Centre playground delayed due to no parent management committee. Work completed November 2018.	50%	●
4.8	P38	Soc	Upgrade Planet X equipment and furniture	Jun-18	Completed April 2018.	100%	●
4.8	P39	Soc	Replace Forsyth Park Community Centre fence	Dec-17	Completed December 2017.	100%	●
4.9	P40	Soc	Implement Community Safety Plan	Jun-18	Plan ended 2017; Crime Prevention grant fully expended and implemented with positive results e.g. after 12 months review - 22% reduction decline in steel from dwelling incidences, 36% reduction in break and enter incidences across LGA (BOCSAR).	100%	●
4.9	P41	Soc	Implement Disability Inclusion Plan	Jun-18	Highlights include accessible ramp to Forsyth Park, refurbishment of external signage for Council Chambers.	100%	●
4.9	P114	Soc	Undertake child restraints road safety project	Jun-18	Two child restraint checking days held in September 2017 and March 2018 - 26 child restraints installed, 157 child restraints checked/adjusted and 127 participants. Licensed fitters check and adjust children's car seats. 95% of respondents rated the service as good to very good. 94% rated the service as very useful. 79% had issues with their child restraints on arrival. 97% felt more confident about their children's safety in the car following the checks.	100%	●
4.9	P115	Soc	Implement Drink Drive road safety campaign	Dec-17	Christmas Holiday Drink Drive Campaign promotional materials delivered to local bottleshops/venues in December 2018. The "Stop it or Cop it" campaign urged motorists to re-think their driving behaviour including drink and drug driving and driving while texting and speeding.	100%	●
4.9	P116	Soc	Implement Pedestrian Safety Distracted...? Campaign	Jun-18	Distracted...? campaign very successful. New pedestrian safety campaign developed for 2018/19, designed to target local demographic and road safety statistics specific to the local area.	100%	●
4.9	P117	Soc	Produce road safety calendar	Dec-17	2018 Road Safety Calendar released in November 2018. This uses a blend of retro images and humour to convey serious road safety messages. Calendar is available free of charge and is popular amongst the community.	100%	●

CSP Outcome	Project #	QBL Link	Project	Scheduled End Date	Comments	% YTD	Status
4.9	P118	Soc	Implement Safety Around Schools road safety program	Jun-18	All local primary schools are contacted throughout the year and provided with road safety resources aimed at educating the parents and carers and the local community on parking safely around schools and encouraging safe road user behaviour. Cammeray Public School has installed the Kiss and Drop banners; they were also successfully trialled at Neutral Bay Public School.	100%	●
4.9	P119	Soc	Implement pedestrian safety It's Local. It's 50 Campaign.	Jun-18	Focuses on face-to-face community engagement and promotional activities. Expanded to shopping centres, internal train advertising and using effective promotional materials to get the message out to the broader community for much better exposure. The main benefit to traffic safety is the increased awareness of pedestrians of their responsibility in maintaining their own safety when they are pedestrians.	100%	●
4.9	P120	Soc	Implement the Road Safety Action Plan	Jun-18	Road Safety Programs (above) are developed from the NSW Government's Road Safety Action Plan and Strategy 2012-2021 - "Towards Zero". Council provides regular reporting to the RMS on each of these programs as part of funding requirements.	100%	●
5.1	P27	Gov	Participate in the Greater Sydney Commission's finalisation of the District Planning process	Dec-17	North Sydney District Plan released March 2018.	100%	●
5.2	P1	Gov	Review contract management template	Jun-18	Completed.	100%	●
5.2	P2	Gov	Appoint Project Safety Officer	Jun-18	Officer was appointed, left role within the financial year. Role has been absorbed into current headcount.	100%	●
5.2	P3	Gov	Implement ecofriendly procurement software	Jun-18	Completed.	100%	●
5.2	P4	Gov	Review Procurement Manual	Dec-17	Completed.	100%	●
5.2	P56	Gov	Implement Civica credit card module	Jun-18	Implemented June 2018, however project still being reassessed by senior management.	100%	●
5.3	P54	Gov	Digitise Council's hard copy property files	Jun-18	Continued Digitalisation of Council records improving public accessibility.	100%	●
5.3	P57	Gov	Review and implement new auditing process	Jun-18	Second year of auditing requirements as per OLE.	100%	●
5.3	P59	Gov	Investigate the production of electronic business papers	Dec-17	Demonstrations made to staff. Decision sought re next steps pending appointment of COS Director.	75%	●
5.3	P60	Gov	Conduct the Governance Health Check and implement recommendations	Dec-17	Health check conducted internally. Awaiting appointment of new COS Director to progress.	100%	●
5.3	P61	Gov	Promote the youth mentor and mock council programs	Jun-18	Ongoing programs - Mock Council promoted in schools in February 2018 and bookings commenced in April 2018. Interest shown by one councillor for Mentor Program; opportunity publicly promoted when?.	100%	●

CSP Outcome	Project #	QBL Link	Project	Scheduled End Date	Comments	% YTD	Status
5.3	P19	Gov	Implement Project Management Framework	Jun-18	Deferred to 2018/19 due other project priorities taking precedent. PCG on hold.	50%	
5.4	P47	Gov	Develop Council information videos	Jun-18	25 videos produced with more than 100,000 post engagements. Top performers were David Maccallum (Community Startegic Plan review) with 14,000 views and Breathable Wall with 17,000 views.	100%	
5.4	P62	Gov	Review Council's website	Jun-18	Review of website content and platform underway and content updated. New platform to be tendered 2018/19 financial year.	75%	
5.5	P48	Gov	Pilot customer feedback systems	Jun-18	Links to P50, see comments.	75%	
5.5	P49	Gov	Promote and enhance phone system capabilities	Jun-18	Project commenced with a device workshop on 30 August and introductory and design workshops for Skype for Business and Enghouse in September 2018.	60%	
5.5	P50	Gov	Construct a benchmark review of Council's frontline customer services	Jun-18	Customer Effort Score Survey launched in April 2018. Survey ongoing. Promotion to increase awareness planned for 2018/19. Note: Action with Customer Service Improvement Strategy.	80%	
5.5	P52	Gov	Implement Customer Service Improvement Strategy	Jun-18	Organisational change has been implemented, review of training and Quality Assurance practices underway to be implemented in 2018/19.	75%	
5.5	P53	Gov	Provide adaptive forms on Council's website	Jun-18	Online Forms Project review conducted, reframed as Customer Engagement project and renewed focus on priority forms.	75%	
5.5	P58	Gov	Create and implement smart forms	Jun-18	See P53 Comment.	na	
5.6	P28	Gov	Implement e-recruitment system	Jun-18	e-Recruitment system rolled out; with further add-on functionality being explored.	100%	
5.6	P29	Gov	Implement Leadership Program	Jun-18	Last module rolled out in Dec 2017.	100%	
5.6	P30	Gov	Conduct staff satisfaction survey	Jun-18	Survey conducted in March 2018.	100%	
5.6	P31	Gov	Update skills of staff on PPA	Jun-18	Skills updated as part of the PPA Program.	100%	
5.7	P5	Gov	Plan implement WHS training	Jun-18	Programme reviewed and rationalised.	100%	
5.7	P6	Gov	Integrate risk data and reporting	Jun-18	Enterprise risk data regularly updated & reported to Audit and risk committee. Reviewing design with IT business analyst. Developed WHS online platform options and submitted a project plan / budget bid.	100%	
5.7	P7	Gov	Review ergonomic component of Workplace Adjustments Policy	Jun-18	Review in consultation with workforce planning.	100%	
5.7	P8	Gov	Review First Aid Program	Jun-18	Reviewed in consultation with stakeholders.	100%	

Performance against the Community Strategic Plan 2013-2023 **(Source: End Of Term Report 2017)**

Section s428(2) of the *Local Government Act 1993* requires the Annual Report of the year in which an ordinary election of councillors is held to contain Council's achievements in implementing the Community Strategic Plan over the previous term. Council elections were held in September 2017.

The following is a summary of performance against the key directions of the Community Strategic Plan, as at 30 June 2017 for the prior five year term of Council. This is a summary of the *End of Term Report 2017* which is available in full on the Council website. In accordance with legislative requirements, the *End of Term Report 2017* was reported to the Council meeting of 27 July 2017.

Achieving the targets we set

Most North Sydney residents are satisfied with Council's performance with overall satisfaction amongst residents at 84%. The key take outs from the most recent *Customer Satisfaction Survey* (2016) are below:

There has been success in decreasing energy use and greenhouse gas emissions.

Most residents think North Sydney is a safe place to live in and overall recorded rates of crime have fallen.

Unemployment rates in North Sydney are low. Median family income continues to increase.

Community connectedness remains high, with 75% of residents having a sense of community within their neighbourhood.

North Sydney has good levels of physical activity and continues to have a high overall level of health. There is a low proportion of children developmentally vulnerable.

Currently, 89% of residents say they are satisfied with the maintenance of parks, ovals and bushland areas. There has been a marked improvement in the satisfaction with the maintenance of local roads and footpaths.

Air and water quality have improved over the five years to 30 June 2017. Waste to landfill per person is decreasing.

Where we can do better

Home affordability is a continuing challenge.

North Sydney CBD has dropped its ranking against other major commercial centres.





There has been a drop in recycling per person. Water use is increasing.

The number of pedestrian injuries has increased.

Less than half of the community are aware of the *Community Strategic Plan*.

Parking provision and traffic flow are not as seen as satisfactory

Below is a review by key direction of Council’s performance in delivering the *Community Strategic Plan*:

Current Status of Indicators		No	%
	Achieved / Making Progress toward 2016 target	46	37
	The 2016 target has not been met but not significantly	11	9
	Not making progress toward 2016 target	47	38
	No Change	5	4
na	Not assessed. Information not available during reporting period	47	38
	Total	124	100

Direction 1: Our Living Environment

Our Living Environment has **improved** over the past four years. 30 indicators measure progress towards Our Living Environment. Of the 20 indicators that can be assessed:

- **12** are making progress towards, or have achieved the 2016 target/trend; and
- **3** did not meet the desired target/trend but not significantly; and
- **4** are not making progress towards the 2016 target; and
- **1** shows no change.

Direction 2: Our Built Environment

Our Built Environment has **declined, but not significantly** over the past four years. 28 indicators measure progress towards Our Built Environment. Of the 16 indicators that can be assessed:

- **7** are making progress towards, or have achieved the 2016 target/trend; and
- **4** did not meet the desired target/trend but not significantly; and
- **4** are not making progress towards the 2016 target; and
- **1** shows no change.

Direction 3: Our Economic Vitality

Our Economic Vitality has **improved** over the past four years. 10 indicators measure progress towards Our Economic Vitality. Of the 4 indicators that can be assessed:

- **2** are making progress towards, or have achieved the 2016 target/trend; and
- **1** did not meet the desired target/trend but not significantly; and
- **1** is not making progress towards the 2016 target.

Direction 4: Our Social Vitality







Our Social Vitality has **improved** over the past four years. 32 indicators measure progress towards Our Social Vitality. Of the 20 indicators that can be assessed:







- **12** are making progress towards, or have achieved the 2016 target; and
- **2** did not meet the desired target but not significantly; and
- **4** are not making progress towards the 2016 target; and
- **2** show no change.



Direction 5: Our Civic Leadership

Our Civic Leadership has **improved** over the past four years. 24 indicators measure progress towards Our Civic Leadership. Of the 17 indicators that can be assessed:








- **13** are making progress towards, or have achieved the 2016 target; and
- **1** did not meet the desired target but not significantly; and
- **2** are not making progress towards the 2016 target; and
- **1** shows no change.





Direction 1: Our Living Environment		Progress Status	
<ul style="list-style-type: none"> • Energy use and greenhouse gas emissions are decreasing. However water use is increasing. • More than half the waste created is being recycled, however recycling per person is lower. Waste to landfill per person is decreasing. • Over the past four years, the number of threatened fauna and flora species has increased from 4 in 2012 to 9 in 2016. • Native vegetation condition improved. • Water quality overall is within the Australian and New Zealand Environment Conservation guidelines. • Air quality is improving with fewer days exceeding air quality standards. 			
1.1	Protected, enhanced and rehabilitated native vegetation communities and ecosystems	<p>The condition of bushland improved.</p> <p>In our bushland, there are 9 flora and fauna species listed as threatened.</p>	
1.2	Quality urban greenspaces	The proportion of tree cover in North Sydney decreased.	
1.3	Healthy and clean local waterways	Water quality of local waterways is improving.	
1.4	Improved environmental footprint and responsible use of natural resources	<p>Energy consumption and greenhouse gas emissions are declining. Water use is higher.</p> <p>Waste recycling rates increased. Landfill per person is decreasing however recycling per person is lower.</p>	
1.5	Public open space, recreation facilities and services that meet community needs	Most residents are satisfied with North Sydney's recreation facilities.	







Direction 2: Our Built Environment			Progress Status
<ul style="list-style-type: none"> • There has been a marked improvement in the satisfaction with the maintenance of local roads and footpaths. • In 2016, 28% of North Sydney's footpaths and 69% of drainage are in 'excellent'/'good' condition. • Satisfaction with land use and quality of development in North Sydney significantly increased. • Between 2012 and 2016, a total of 118 items were removed from the North Sydney Heritage Register. • Most residents use public transport to travel to and from work. Less positively, motor vehicle ownership has increased. • Satisfaction with traffic flow throughout North Sydney and parking provision is decreasing. 			
2.1	Infrastructure, assets and facilities that meet current and future community needs	There was a marked improvement in the satisfaction with the maintenance of local roads and footpaths.	
2.2	Improved mix of land use and quality development through design excellence	Community satisfaction with land use and quality of development in North Sydney significantly increased.	
2.3	Vibrant, connected and well maintained streetscapes and shopping villages that build a sense of community	<p>On a scale of 0 'very poor' to 10 'excellent', North Sydney's road pavement condition index was 7.4.</p> <p>28% of North Sydney's footpaths and 68% of drainage are in 'excellent' or 'good' condition.</p> <p>Resident and business satisfaction with the cleanliness of local roads and footpaths remained stable.</p> <p>Resident satisfaction with the look and amenity of North Sydney has fallen.</p>	
2.4	North Sydney's heritage is preserved and valued	The number of items on the heritage register decreased from 1,200 in 2012 to 1,082 in 2016.	
2.5	Sustainable transport is encouraged	<p>Almost half of workers and about a third of residents take public transport to work.</p> <p>In 2011, active travel (e.g. walking and cycling) made up 13.2% of total travel by residents in North Sydney. This has increased slightly from 13% in 2006.</p> <p>Car ownership is increasing.</p>	

Direction 2: Our Built Environment			Progress Status
2.6	Improved traffic management	In 2016, 46% of residents were satisfied with traffic flow throughout North Sydney. This was a decrease from 63% in 2012.	
2.7	Improved parking options and supply	About two thirds of residents and businesses are not satisfied with parking provision.	

Direction 3: Our Economic Vitality			Progress Status
	<ul style="list-style-type: none"> • North Sydney has dropped its economic ranking against other commercial centres in NSW over the past four years. • Unemployment is low and stable. • Labour force participation rates in North Sydney decreased between 2012 and 2017 from 69.0% to 67.5%. • The number of businesses in North Sydney is increasing. • Vacancy rates in the North Sydney CBD office market remain low indicating high market demand for commercial floor space. • A significant proportion of people who work in North Sydney also live in the area. 		
3.1	Diverse, strong, sustainable and vibrant local economy	<p>The unemployment rate for North Sydney increased slightly between 2012 and 2017 from 3.0% to 3.1%.</p> <p>The number of businesses in North Sydney grew between 2012 and 2017. North Sydney gained 979 businesses over the past five years.</p> <p>The North Sydney CBD office vacancy rate remained steady.</p>	
3.2	North Sydney CBD is one of Australia's largest commercial centres	<p>The ranking of North Sydney CBD against other commercial centres in NSW fell to three.</p> <p>15% of residents remain within the North Sydney LGA to work.</p>	

Direction 4: Our Social Vitality			Progress Status
<ul style="list-style-type: none"> • The average life expectancy in North Sydney is largely on par with the NSW average. • Self-reported health surveys report that people continue to have a high overall level of health. • More than half of residents engage in adequate physical activity. • North Sydney has a high Social Economic Index (SEIFA) ranking suggesting there is lower disadvantage in the LGA. • Two thirds of residents has tertiary qualifications, with the vast majority of these being a Bachelor’s Degree or above. • Median family income is increasing. • House prices are increasing dramtaically. • Housing affordability remains unchanged. • Housing in North Sydney is predominantly flats, units or apartments. • North Sydney has become a safer place with reported crime decreasing. • There is a high perception of safety. • Roads in North Sydney are getting safer. Road crash fatalities have decreased, however road crash injuries is increasing. • Sense of community is high but decreasing. • Early childhood development measures show a high attainment by children, with a low number of children developmentally at risk or vulnerable. • Fewer aged care places are available (per 1,000 population) in North Sydney compared to four years ago. • Satisfaction with the library service is high. • About 22% of adults in North Sydney spend time volunteering. 			
4.1	North Sydney community is connected	Community connectedness is high with 75% of residents having a sense of community within their neighbourhood. This is slightly lower than the level recorded in the previous survey in 2012.	
4.2	North Sydney community is diverse	Over 45% of residents were born overseas.	
4.3	Enhanced arts and cultural programs and facilities	74% of residents are satisfied with Council run community events and 64% are satisfied with the range of arts and cultural experiences in North Sydney.	
4.4	North Sydney's history is preserved	The number of items on the heritage register decreased from 1,200 in 2012 to 1,082 in 2016.	
4.5	Lifelong learning and volunteering is encouraged	21.5% of persons aged 15 years and over in North Sydney are involved in volunteering.	
4.6	Library services meet information, learning and leisure needs	24% of North Sydney residents are an active member of Stanton Library. Since 2012, the percentage of users satisfied with Stanton Library has been around 92%.	

Direction 4: Our Social Vitality			Progress Status
4.7	North Sydney community is active and healthy	<p>Self-reported health surveys report that people continue to have a high overall level of health (86% of people rate their health as excellent, very good or good).</p> <p>In 2016, 61% of residents reported that they undertake adequate physical activity at least five times per week, a slight increase from 60% in 2012.</p> <p>In North Sydney, there is a low percentage of children that are developmentally vulnerable.</p>	
4.8	Enhanced access to community services, information, programs and facilities	<p>Resident satisfied with Council's provision of children's services is increasing.</p> <p>North Sydney has fewer aged care places per 1,000 older residents than in 2012.</p>	
4.9	Enhanced sense of community safety and accessibility	<p>Crime has fallen over the past four years, with the number of recorded major offences declining from 2,498 in 2012 to 1,197 in 2016. Most people feel that North Sydney is a safe place. Resident's perceptions of safety remained stable between 2012 and 2016.</p> <p>Road injuries have trended upward over the past five years, however road fatalities have remained stable between 2012 and 2017.</p>	
4.10	Improved affordable housing and accommodation	<p>Median family income increased between 2012 and 2016 by 33% to \$2,360.</p> <p>Residential property prices have shown a substantial rise in value since 2012.</p> <p>15% of North Sydney households are spending more than 30% of their income on rental weekly payments.</p>	

Direction 5: Our Civic Leadership		Progress Status	
<ul style="list-style-type: none"> • Only about half of the community are satisfied with the strategic direction for North Sydney. • Council remains financially sustainable. • Residents record high levels of overall satisfaction with Council's performance. • There is scope for increased levels of community engagement. • Connection to the internet is higher in North Sydney than the Sydney SD rate. 			
5.1	Council has a clear strategic direction, driving a sustainable future for North Sydney	There is limited awareness of Council's Community Strategic Plan. About half of the community are satisfied with North Sydney's strategic direction.	
5.2	Best practice financial stewardship	Council remains financially sustainable with Council's operating performance ratio indicating revenue raised is sufficient to cover operational expenditure.	
5.3	Ethical, open, accountable and transparent decision making	Between 2012 and 2016, the proportion of residents satisfied with how Council engages with them increased from 53% to 75%. Engagement remains an issue for businesses. Less than half of the business community are satisfied with Council's community engagement processes.	
5.4	Improved community awareness of Council's activities and services through targeted communications	Resident and business satisfaction with communications from Council improved. 92% of households in North Sydney had access to the internet. The percentage of households with access to the internet is higher in the North Sydney than for Sydney overall.	
5.5	Customer focused Council services	In 2016, 84% of North Sydney residents were satisfied overall with Council's performance, a slight decrease from 85% in 2012. Satisfaction with council performance for businesses decreased, falling from 75% to 65%.	



North Sydney Council

Financial Statements

for the year ended 30 June 2018



progressive *vibrant* diverse

North Sydney Council

Financial Statements

for the financial year ended 30 June 2018



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North Sydney Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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SECTION I

North Sydney Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

200 Miller Street
North Sydney NSW 2060

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

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

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

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

North Sydney Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

More information

A review of Council's financial performance and position for the 2017/18 financial year can be found at Note 25 of the financial statements.

North Sydney 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 24 September 2018.



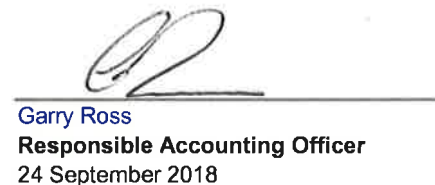
Jilly Gibson
Mayor
24 September 2018



Stephen Barbour
Councillor
24 September 2018



Ken Goldthorp
General Manager
24 September 2018



Garry Ross
Responsible Accounting Officer
24 September 2018

North Sydney Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Restated Actual 2017
Income from continuing operations				
<i>Revenue:</i>				
54,972	Rates and annual charges	3a	56,316	51,477
26,279	User charges and fees	3b	33,208	29,814
2,343	Interest and investment revenue	3c	2,653	3,561
15,630	Other revenues	3d	17,835	18,018
4,192	Grants and contributions provided for operating purposes	3e,f	4,489	6,689
10,472	Grants and contributions provided for capital purposes	3e,f	8,625	18,480
<i>Other income:</i>				
220	Net gains from the disposal of assets	5	–	–
2,880	Fair value increment on investment property	10	–	5,233
–	Reversal of revaluation decrements / impairment of IPP&E previously expensed	4d	–	245
116,988	Total income from continuing operations		123,126	133,517
Expenses from continuing operations				
42,730	Employee benefits and on-costs	4a	41,680	41,367
336	Borrowing costs	4b	302	302
32,254	Materials and contracts	4c	36,734	34,159
16,948	Depreciation and amortisation	4d	19,127	18,691
8,875	Other expenses	4e	8,564	8,343
–	Net losses from the disposal of assets	5	692	5,194
–	Fair value decrement on investment property	10	212	–
–	Net share of interests in joint ventures and associates using the equity method	15	20	1
101,143	Total expenses from continuing operations		107,331	108,057
15,845	Operating result from continuing operations		15,795	25,460
15,845	Net operating result for the year		15,795	25,460
15,845	Net operating result attributable to Council		15,795	25,460
5,373	Net operating result for the year before grants and contributions provided for capital purposes		7,170	6,980

North Sydney 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)		15,795	25,460
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	93,266	7,913
Total items which will not be reclassified subsequently to the operating result		93,266	7,913
Total other comprehensive income for the year		93,266	7,913
Total comprehensive income for the year		109,061	33,373
Total comprehensive income attributable to Council		109,061	33,373

North Sydney Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	Restated 2017	Restated 1 July 2016
ASSETS				
Current assets				
Cash and cash equivalents	6a	5,908	6,172	5,521
Investments	6b	63,081	74,606	95,434
Receivables	7	8,397	9,897	6,693
Inventories	8	58	46	43
Other	8	282	273	226
Total current assets		77,726	90,994	107,917
Non-current assets				
Receivables	7	287	326	147
Infrastructure, property, plant and equipment	9	1,018,159	897,298	855,871
Investment property	10	97,740	97,623	92,390
Investments accounted for using the equity method	15	13	33	34
Total non-current assets		1,116,199	995,280	948,442
TOTAL ASSETS		1,193,925	1,086,274	1,056,359
LIABILITIES				
Current liabilities				
Payables	11	20,656	20,309	23,328
Income received in advance	11	1,233	1,844	1,962
Borrowings	11	9,500	–	220
Provisions	12	14,667	15,849	15,934
Total current liabilities		46,056	38,002	41,444
Non-current liabilities				
Payables	11	41	–	–
Borrowings	11	–	9,500	9,500
Provisions	12	184	189	205
Total non-current liabilities		225	9,689	9,705
TOTAL LIABILITIES		46,281	47,691	51,149
Net assets		1,147,644	1,038,583	1,005,210
EQUITY				
Accumulated surplus	13	789,766	773,971	748,511
Revaluation reserves	13	357,878	264,612	256,699
Council equity interest		1,147,644	1,038,583	1,005,210
Total equity		1,147,644	1,038,583	1,005,210

North Sydney Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Restated
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	Total equity
Opening balance		773,971	264,612	1,038,583	748,511	169,960	918,471
Correction of prior period errors	13 (b)	–	–	–	–	86,739	86,739
Restated opening balance		773,971	264,612	1,038,583	748,511	256,699	1,005,210
Net operating result for the year prior to correction of errors and changes in accounting policies		15,795	–	15,795	27,365	–	27,365
Correction of prior period errors	13 (b)	–	–	–	(1,905)	–	(1,905)
Restated net operating result for the year		15,795	–	15,795	25,460	–	25,460
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	93,266	93,266	–	7,913	7,913
Other comprehensive income		–	93,266	93,266	–	7,913	7,913
Total comprehensive income		15,795	93,266	109,061	25,460	7,913	33,373
Equity – balance at end of the reporting period		789,766	357,878	1,147,644	773,971	264,612	1,038,583

North Sydney 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:				
54,972	Rates and annual charges		56,178	51,427
27,725	User charges and fees		33,997	30,821
2,343	Investment and interest revenue received		3,145	3,622
14,676	Grants and contributions		13,374	16,644
4,000	Bonds, deposits and retention amounts received		4,015	4,572
25,768	Other		25,701	17,401
Payments:				
(42,783)	Employee benefits and on-costs		(42,863)	(41,461)
(35,480)	Materials and contracts		(39,544)	(39,486)
(336)	Borrowing costs		(301)	(304)
(2,500)	Bonds, deposits and retention amounts refunded		(2,414)	(3,076)
(14,313)	Other		(13,307)	(8,708)
34,072	Net cash provided (or used in) operating activities	14b	37,981	31,452
Cash flows from investing activities				
Receipts:				
44,000	Sale of investment securities		44,514	39,055
1,320	Sale of infrastructure, property, plant and equipment		1,497	3,620
Payments:				
(33,000)	Purchase of investment securities		(33,000)	(18,000)
–	Purchase of investment property		(329)	–
(45,508)	Purchase of infrastructure, property, plant and equipment		(50,927)	(55,256)
(33,188)	Net cash provided (or used in) investing activities		(38,245)	(30,581)
Cash flows from financing activities				
Nil				
884	Net increase/(decrease) in cash and cash equivalents		(264)	871
4,000	Plus: cash and cash equivalents – beginning of year	14a	6,172	5,301
4,884	Cash and cash equivalents – end of the year	14a	5,908	6,172
Additional Information:				
	plus: Investments on hand – end of year	6b	63,081	74,606
	Total cash, cash equivalents and investments		68,989	80,778

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 24/09/2018.

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

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

Basis of preparation

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

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

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

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

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

(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:

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of these financial statements, Council 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.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

- AASB 9 *Financial Instruments*

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

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

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

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

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

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

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

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

- AASB 16 *Leases*

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

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

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

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

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

North Sydney 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
Our Living Environment	24,934	23,958	31,974	31,149	(7,040)	(7,191)	77	50	334,229	224,722
Our Built Environment	21,966	23,853	30,010	29,817	(8,044)	(5,964)	3,219	3,764	443,269	428,355
Our Economic Vitality	137	95	1,124	1,000	(987)	(905)	5	–	131,637	83,025
Our Social Vitality	2,811	2,737	7,260	7,713	(4,449)	(4,976)	888	777	74,195	44,375
Our Civic Leadership	73,278	82,874	36,963	38,378	36,315	44,496	1,668	2,364	210,595	220,963
Total functions and activities	123,126	133,517	107,331	108,057	15,795	25,460	5,857	6,955	1,193,925	1,086,274

North Sydney 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:

Our Living Environment

Encompasses but is not limited to bushland management, environmental sustainability, recreational facilities, tree preservation and community gardens.

Our Built Environment

Encompasses but is not limited to asset management, land use planning, development and design, heritage preservation, streetscapes, compliance and traffic and transport planning.

Our Economic Vitality

Encompasses but is not limited to economic development, tourism and our commercial centres and shopping villages.

Our Social Vitality

Encompasses but is not limited to community services, arts and culture, access and safety, housing, health and wellbeing, recreational planning and volunteering.

Our Civic Leadership

Encompasses but is not limited to governance (i.e. how Council is managed).

North Sydney 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	23,904	22,369
Business	14,796	14,073
Total ordinary rates	38,700	36,442
Special rates		
Environmental levy	1,938	1,830
Infrastructure levy	1,759	1,639
Main street levies	483	495
Total special rates	4,180	3,964
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	12,801	10,443
Stormwater management services	561	556
Section 611 charges	74	72
Total annual charges	13,436	11,071
TOTAL RATES AND ANNUAL CHARGES	56,316	51,477

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

Accounting policy for rates and annual charges

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

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

(b) User charges and fees			2018	2017
Specific user charges (per s.502 – specific 'actual use' charges)				
Domestic waste management services		1,254	1,104	
Total specific user charges		1,254	1,104	
Other user charges and fees				
(i) Fees and charges – statutory and regulatory functions (per s.608)				
Planning and building regulation		5,046	4,896	
Regulatory / statutory fees		6,630	4,997	
Section 149 certificates (EPA Act)		285	301	
Section 603 certificates		147	160	
Total fees and charges – statutory/regulatory		12,108	10,354	

North Sydney 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 (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Business trade waste	380	369
Community centres / facilities	85	127
Domestic waste management – other	26	24
Family day care	184	189
Library	116	130
On street parking	9,879	9,096
Off street parking	3,301	3,156
Ovals	1,371	1,147
Planning and building regulation (non-statutory)	563	461
Public events	67	53
Reinstatements	1,166	1,012
Swimming centres	2,537	2,387
Other	171	205
Total fees and charges – other	19,846	18,356
TOTAL USER CHARGES AND FEES	33,208	29,814

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

Interest

– Overdue rates and annual charges (incl. special purpose rates)	84	68
– Cash and investments	2,528	3,108
– Developer contributions	52	158

Fair value adjustments

– Fair valuation movements in investments (at fair value or held for trading)	(11)	227
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TOTAL INTEREST AND INVESTMENT REVENUE	2,653	3,561
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Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	84	68
General Council cash and investments	2,517	3,335

Restricted investments/funds – external:

Development contributions		
– Section 7.11	46	123
– Section 7.4	6	35

Total interest and investment revenue recognised	2,653	3,561
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Accounting policy for interest and investment revenue

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – investment property	10	6,193	6,139
Rental income – other council properties		792	727
Ex gratia rates		39	33
Fines – environmental and compliance		168	157
Fines – parking		7,055	7,775
Other charges for overdue rates and charges		3	22
Legal fees recovered		662	552
Advertising on Council infrastructure		1,451	938
Better waste and recycling fund		107	179
Commissions and agency fees		2	7
Insurance bonuses, rebates and claim recoveries		54	88
Miscellaneous sales		2	12
Zig Zag lane car park compensation		–	1,097
Community housing accumulated surplus (from Link Housing)		1,031	–
Other		276	292
<u>TOTAL OTHER REVENUE</u>		<u>17,835</u>	<u>18,018</u>

Accounting policy for other revenue

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

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

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

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

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

North Sydney 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	1,521 ⁽¹⁾	2,204 ⁽²⁾	–	–
Financial assistance – local roads component	482 ⁽¹⁾	697 ⁽²⁾	–	–
Other				
Pensioners' rates subsidies – general component	147	160	–	–
Total general purpose	2,150	3,061	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	42	41	–	–
Bus weight tax subsidy	–	20	–	–
Community care				
– Aged care	62	59	–	–
– Family day care child care benefit subsidy	585	465	–	–
– Vacation care	15	28	–	–
– Youth care	2	2	–	–
– Other	39	40	–	–
Environmental protection	15	26	–	–
Recreation and culture				
– Library – per capita	136	134	–	–
– Library – special projects	–	–	49	49
– Parks and gardens	–	–	20	–
Traffic route lighting subsidy	192	188	–	–
Transport				
– Bicycle facilities	82	–	2,215	2,138
– Pedestrian facilities	–	–	184	18
– Roads to recovery	–	612	–	–
– Roads safety	64	74	–	–
Other	5	–	–	–
Total specific purpose	1,239	1,689	2,468	2,205
Total grants	3,389	4,750	2,468	2,205
Grant revenue is attributable to:				
– Commonwealth funding	585	1,077	–	–
– State funding	2,804	3,664	2,468	2,205
– Other funding	–	9	–	–
	3,389	4,750	2,468	2,205

⁽¹⁾ Includes advance payment of one-half of the estimated 2018/19 allocation plus the balance of 2017/18 allocation.

⁽²⁾ Includes advance payment of one-half of the estimated 2017/18 allocation plus the entire 2016/17 allocation.

North Sydney 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					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	–	8,075
S 7.11 – contributions towards amenities/services		–	–	5,970	7,696
Total developer contributions – cash		–	–	5,970	15,771
Total developer contributions	23	–	–	5,970	15,771
Other contributions:					
Cash contributions					
Affordable housing		–	295	–	–
Alfred Street retaining wall		–	–	–	125
Bicycle facilities		–	–	32	–
Environmental protection		430	330	–	–
Ernest Place electricity substation relocation		–	223	–	–
Fire and Emergency Services Levy implementation		–	129	–	–
Paving		–	–	1	9
Aboriginal heritage		–	54	–	–
Relocation of Harbour Cycles sculpture		–	118	–	–
RMS contributions (regional roads, block grant)		490	680	–	–
Town planning		180	110	–	–
Traffic facilities		–	–	–	143
Streetscape improvements		–	–	154	–
Total other contributions – cash		1,100	1,939	187	277
Non-cash contributions					
Alexander street car park		–	–	–	227
Total other contributions		1,100	1,939	187	504
Total contributions		1,100	1,939	6,157	16,275
TOTAL GRANTS AND CONTRIBUTIONS		4,489	6,689	8,625	18,480

Accounting policy for contributions

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

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

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

North Sydney 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 condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	–	272
Add: operating grants recognised in the current period but not yet spent	28	–
Less: operating grants recognised in a previous reporting period now spent	–	(272)
Unexpended and held as restricted assets (operating grants)	<u>28</u>	<u>–</u>
Capital grants		
Unexpended at the close of the previous reporting period	–	29
Add: capital grants recognised in the current period but not yet spent	1,248	–
Less: capital grants recognised in a previous reporting period now spent	–	(29)
Unexpended and held as restricted assets (capital grants)	<u>1,248</u>	<u>–</u>
Contributions		
Unexpended at the close of the previous reporting period	23,254	30,543
Add: contributions recognised in the current period but not yet spent	80	12,229
Add: contributions received for the provision of goods and services in a future period	1,945	4,163
Less: contributions recognised in a previous reporting period now spent	(11,595)	(23,681)
Unexpended and held as restricted assets (contributions)	<u>13,684</u>	<u>23,254</u>

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	Restated 2017
(a) Employee benefits and on-costs		
Salaries and wages	32,096	31,634
Travel expenses	333	331
Employee leave entitlements (ELE)	5,276	4,499
Superannuation – defined contribution plans	2,971	2,874
Superannuation – defined benefit plan	962	984
Workers' compensation insurance	473	672
Fringe benefit tax (FBT)	232	255
Training costs (other than salaries and wages)	341	301
Gratuities	(215)	375
Other	233	165
Total employee costs	42,702	42,556
Less: capitalised costs	(1,022)	(1,189)
TOTAL EMPLOYEE COSTS EXPENSED	41,680	41,367
Number of 'full-time equivalent' employees (FTE) at year end	373	389

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. On behalf of its employees, Council contributes to various defined contribution plans and an industry defined benefit plan under the NSW Local Government Superannuation Scheme.

Defined Contribution Superannuation Plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined Benefit Superannuation Plan

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

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

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

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

Accounting policy for employee benefits and on-costs (continued)

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

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

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

The current standard employer contribution rates are:

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

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

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

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

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

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

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

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

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2018 was \$889,991.98. The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December, relating to the period ended 30 June 2017.

The expected contributions to the Fund for the next annual reporting period are \$833,887.56.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

Accounting policy for employee benefits and on-costs (continued)

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

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

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

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

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

* plus promotional increases

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

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

(b) Borrowing costs

	2018	2017
Interest bearing liability costs		
Interest on loans	302	302
Total interest bearing liability costs expensed	302	302
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>302</u>	<u>302</u>

Accounting policy for borrowing costs

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	Restated 2017
(c) Materials and contracts		
Raw materials and consumables	4,474	3,559
Contractor costs:		
– Aboriginal heritage	–	31
– Agency staff	1,402	1,215
– Cash collection	393	412
– CBD marketing	100	146
– Cleaning of Council properties	403	350
– Community transport	172	171
– Computer hardware and software maintenance	1,415	1,298
– Family day care child care assistance	585	465
– Drainage maintenance	471	375
– Footpath maintenance	641	967
– Graffiti removal	133	125
– Internal audit program	73	78
– Mowing	1,096	1,024
– Other infrastructure maintenance	778	360
– Parking meter maintenance	980	1,061
– Parks, gardens and tree maintenance	1,665	1,552
– Property maintenance	3,928	4,286
– Property management	348	304
– Public events	575	665
– Roads maintenance	968	739
– Waste and recycling collection	5,150	5,037
– Waste and recycling disposal	4,597	4,523
– Other	1,199	1,208
Consultancy	2,100	1,188
Auditors remuneration	81	71
Infringement notice contract costs (SEINS)	949	1,006
Legal expenses:		
– Legal expenses: planning and development	1,498	989
– Legal expenses: debt recovery	265	23
– Legal expenses: other	295	931
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>36,734</u>	<u>34,159</u>

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	Restated 2017
(c) Materials and contracts (continued)		
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	79	70
Remuneration for audit and other assurance services	79	70
Total Auditor-General remuneration	79	70
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Audit of regulatory returns	2	1
Remuneration for audit and other assurance services	2	1
Total remuneration of non NSW Auditor-General audit firms	2	1
Total Auditor remuneration	81	71
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment	1,982	1,903
Office equipment	963	1,011
Furniture and fittings	502	440
Land improvements (depreciable)	512	454
Infrastructure:		
– Buildings – non-specialised	38	41
– Buildings – specialised	3,151	3,186
– Other structures	26	15
– Roads	3,818	3,658
– Footpaths	1,709	1,533
– Stormwater drainage	1,665	1,664
– Swimming pools	397	420
– Other open space / recreational assets	547	542
– Other infrastructure	3,400	3,400
Other assets:		
– Heritage collections	30	40
– Library books	387	384
Total depreciation and amortisation costs	19,127	18,691

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(d) Depreciation, amortisation and impairment (continued)		
Impairment / revaluation decrement of IPP&E		
Infrastructure	–	(245)
Total IPP&E impairment / revaluation decrement costs / (reversals)	–	(245)
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED	19,127	18,446

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

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

Impairment of non-financial assets

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

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.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	Restated 2017
(e) Other expenses		
Advertising	148	122
Bad and doubtful debts	26	115
Bank charges	462	404
Community recycling centre rent	225	217
Contributions/levies to other levels of government		
– Department of planning levy	263	258
– Emergency services levy (includes FRNSW and SES levies)	1,367	1,365
– Land tax	25	33
– Other contributions/levies	5	–
Councillor expenses – mayoral fee	41	64
Councillor expenses – councillors' fees	190	239
Councillors' expenses (incl. mayor) – other (excluding fees above)	28	27
Donations, contributions and assistance to other organisations (Section 356)		
– Aboriginal Heritage Office	42	35
– Crows Nest Centre	396	376
– Crows Nest Mainstreet	16	–
– Neutral Bay Mainstreet	16	16
– North Sydney community centre	70	70
– Nutcote	45	54
– Other organisations	351	313
NSW Local Government Association membership	35	20
Election expenses	371	–
Electricity and heating	1,072	1,034
Insurance	1,798	1,913
Postage	346	343
Street lighting	886	926
Telephone and communications	241	257
Valuation fees	74	72
Other	25	70
<u>TOTAL OTHER EXPENSES</u>	<u>8,564</u>	<u>8,343</u>

Accounting policy for other expenses

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

North Sydney 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)	9		
Proceeds from disposal – property		127	2,449
Less: carrying amount of property assets sold/written off		(21)	(7,009)
Net gain/(loss) on disposal		106	(4,560)
Plant and equipment	9		
Proceeds from disposal – plant and equipment		1,370	1,171
Less: carrying amount of plant and equipment assets sold/written off		(1,224)	(1,021)
Net gain/(loss) on disposal		146	150
Infrastructure	9		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(944)	(784)
Net gain/(loss) on disposal		(944)	(784)
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		44,514	39,055
Less: carrying amount of financial assets sold/redeemed/matured		(44,514)	(39,055)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(692)	(5,194)

Accounting policy for disposal of assets

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

For some assets partially disposed during the year it was impractical to determine the carrying amount of the portion disposed/written off. The non-disclosure of the carrying amounts of these assets is not considered to have materially misstated the net gain/loss on disposal for any category of assets.

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents			
Cash on hand and at bank		4,839	626
Cash-equivalent assets			
– Deposits at call		1,069	5,546
Total cash and cash equivalents		5,908	6,172

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
'At fair value through the profit and loss'				
– 'Held for trading'	63,081	–	74,606	–
Total investments	63,081	–	74,606	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	68,989	–	80,778	–
Financial assets at fair value through the profit and loss				
Long term deposits	49,000	–	54,500	–
NCD's, FRN's (with maturities > 3 months)	14,081	–	20,106	–
Total	63,081	–	74,606	–

Accounting policy for investments

Classification

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

Financial assets at fair value through profit or loss

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

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.

North Sydney 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	2018	2017	2017
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	68,989	–	80,778	–
attributable to:				
External restrictions (refer below)	18,923	–	25,640	–
Internal restrictions (refer below)	45,520	–	49,806	–
Unrestricted	4,546	–	5,332	–
	68,989	–	80,778	–

\$ '000	2018		2017	
Details of restrictions				
External restrictions – other				
Developer contributions – general		13,449		22,791
Specific purpose unexpended grants		1,276		–
Domestic waste management		2,861		933
Stormwater management		–		9
Environment levy		984		936
Infrastructure levy		24		107
Mainstreet levies		56		355
Other specific purpose contributions		235		463
Waste and sustainability improvement funds		38		46
External restrictions – other		18,923		25,640
Total external restrictions		18,923		25,640
Internal restrictions				
Plant and vehicle replacement		539		871
Employees leave entitlement		7,425		8,821
Deposits, retentions and bonds		10,549		8,949
Capital works		14,585		20,194
Community housing – capital purchases		963		963
Community housing – major maintenance		1,364		76
Income producing projects		6,015		6,753
Insurance		851		1,000
I.T. hardware and software		781		104
Loan principal		1,425		950
Property maintenance		1,023		1,125
Total internal restrictions		45,520		49,806
TOTAL RESTRICTIONS		64,443		75,446

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	444	194	254	246
Interest and extra charges	24	75	29	62
User charges and fees	1,690	–	1,337	–
Accrued revenues				
– Interest on investments	940	–	1,429	–
– Other income accruals	1,310	–	2,149	–
Government grants and subsidies	2,330	–	2,554	–
Net GST receivable	783	–	1,123	–
Outstanding infringements	1,004	–	1,149	–
Other debtors	–	18	–	18
Other debtors	5	–	6	–
Total	8,530	287	10,030	326
Less: provision for impairment				
User charges and fees	(133)	–	(133)	–
Total provision for impairment – receivables	(133)	–	(133)	–
<u>TOTAL NET RECEIVABLES</u>	<u>8,397</u>	<u>287</u>	<u>9,897</u>	<u>326</u>
Externally restricted receivables				
Domestic waste management	185	–	101	2
Stormwater management	10	–	6	1
Other				
– Environmental levy	33	–	18	6
– Infrastructure levy	30	–	16	5
– Mainstreet levies	9	–	7	–
Total external restrictions	267	–	148	14
Unrestricted receivables	8,130	287	9,749	312
TOTAL NET RECEIVABLES	8,397	287	9,897	326
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			133	39
+ new provisions recognised during the year			–	115
– amounts already provided for and written off this year			–	(21)
Balance at the end of the year			133	133

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

Impairment

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

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

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Trading stock	58	–	46	–
Total inventories at cost	58	–	46	–
TOTAL INVENTORIES	58	–	46	–
(b) Other assets				
Prepayments	282	–	273	–
TOTAL OTHER ASSETS	282	–	273	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

North Sydney Council

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

Note 9. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017 (restated)			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	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	25,296	–	25,296	1,681	623	–	–	(20,665)	–	–	6,935	–	6,935
Plant and equipment	16,204	8,403	7,801	3,779	–	(1,224)	(1,982)	–	–	–	16,994	8,620	8,374
Office equipment	17,689	14,887	2,802	404	175	(21)	(963)	–	–	–	18,158	15,761	2,397
Furniture and fittings	8,499	4,812	3,687	159	69	–	(502)	20	–	–	8,747	5,314	3,433
Land:													
– Operational land	81,247	–	81,247	–	3,831	–	–	–	–	68,583	153,661	–	153,661
– Community land	156,266	–	156,266	–	–	–	–	–	–	–	156,266	–	156,266
Land improvements – depreciable	20,864	3,083	17,781	326	855	–	(512)	58	–	–	22,103	3,595	18,508
Infrastructure:													
– Buildings – non-specialised	2,194	1,613	581	77	–	–	(38)	–	–	251	1,267	396	871
– Buildings – specialised	168,001	83,849	84,152	4,604	2,322	–	(3,151)	17,514	214	21,616	203,574	76,303	127,271
– Other structures	1,209	17	1,192	–	935	–	(26)	74	–	–	2,217	42	2,175
– Roads	316,513	110,181	206,332	8,965	1,080	(685)	(3,818)	149	–	–	323,244	111,221	212,023
– Footpaths	84,098	32,822	51,276	8,105	167	(259)	(1,709)	449	–	–	91,425	33,396	58,029
– Stormwater drainage	193,877	66,778	127,099	2,284	187	–	(1,665)	85	–	–	196,433	68,443	127,990
– Swimming pools	25,093	14,705	10,388	56	–	–	(397)	–	–	2,816	22,471	9,608	12,863
– Other open space / recreational assets	11,236	7,978	3,258	549	268	–	(547)	256	–	–	12,310	8,526	3,784
– Other infrastructure	213,658	98,095	115,563	4,808	2,175	–	(3,400)	2,060	(214)	–	222,388	101,396	120,992
Other assets:													
– Heritage collections	2,277	790	1,487	26	11	–	(30)	–	–	–	2,313	819	1,494
– Library books	7,403	6,313	1,090	390	–	–	(387)	–	–	–	2,325	1,232	1,093
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,351,624	454,326	897,298	36,213	12,698	(2,189)	(19,127)	–	–	93,266	1,462,831	444,672	1,018,159

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	5 to 10	Benches, seats etc.	10 to 20
Computer equipment	3		
Vehicles	5	Buildings	
Heavy plant/road making equipment	5	Buildings: masonry	50 to 200
Other plant and equipment	3 to 10	Buildings: other	8 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 40	Bulk earthworks	200
Sealed roads: structure	70 to 150	Swimming pools	20 to 200
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	5 to 25
Bridge: other	50	Other infrastructure	10 to 100
Road pavements	60		
Kerb, gutter and footpaths	50 to 100		

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Land under roads

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

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

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

Crown reserves

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

Note 10. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>97,740</u>	<u>97,623</u>
Reconciliation of annual movement:		
Opening balance	97,623	92,390
– Capitalised expenditure – this year	329	–
– Net gain/(loss) from fair value adjustments	(212)	5,233
CLOSING BALANCE – INVESTMENT PROPERTY	<u>97,740</u>	<u>97,623</u>

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Investment property (continued)

(b) Valuation basis

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

The 2018 revaluations were based on independent assessments made by:
Elise Wallace AAPI CPV

(c) Contractual obligations at reporting date

Refer to Note 16 for disclosures relating to any capital and service obligations that have been contracted.

\$ '000	2018	2017
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(d) Leasing arrangements – Council as lessor

The investment property are leased to tenants under long-term operating leases with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	6,064	5,809
Later than 1 year but less than 5 years	13,880	12,407
Later than 5 years	14,729	16,195
Total minimum lease payments receivable	34,673	34,411

(e) Investment property income and expenditure – summary

Rental income from investment property:		
– Minimum lease payments	6,193	6,139
Direct operating expenses on investment property:		
– that generated rental income	(2,317)	(2,314)
Net revenue contribution from investment property	3,876	3,825
plus:		
Fair value movement for year	(212)	5,233
Total income attributable to investment property	3,664	9,058

Accounting policy for investment property

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.

North Sydney Council

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

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	4,746	–	4,289	–
Goods and services – capital expenditure	3,382	41	5,439	–
Accrued expenses:				
– Borrowings	14	–	13	–
– Salaries and wages	481	–	376	–
– Other expenditure accruals	1,174	–	852	–
Security bonds, deposits and retentions	10,550	–	8,949	–
Other	309	–	391	–
Total payables	20,656	41	20,309	–
Income received in advance				
Payments received in advance	1,233	–	1,844	–
Total income received in advance	1,233	–	1,844	–
Borrowings				
Loans – secured ¹	9,500	–	–	9,500
Total borrowings	9,500	–	–	9,500
TOTAL PAYABLES AND BORROWINGS	31,389	41	22,153	9,500

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	782	–	746	–
Special rate levies	111	–	244	–
Better waste and recycling funds	–	–	1	–
Stormwater management	4	–	–	–
Payables and borrowings relating to externally restricted assets	897	–	991	–
Total payables and borrowings relating to restricted assets	897	–	991	–
Total payables and borrowings relating to unrestricted assets	30,492	41	21,162	9,500
TOTAL PAYABLES AND BORROWINGS	31,389	41	22,153	9,500

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	7,361	6,303
	7,361	6,303

(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	9,500	–	–	–	–	9,500
TOTAL	9,500	–	–	–	–	9,500

\$ '000	2018	2017
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(d) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities ⁽¹⁾	500	500
Credit cards/purchase cards	350	350
Total financing arrangements	850	850

Undrawn facilities as at balance date:

– Bank overdraft facilities	500	500
– Credit cards/purchase cards	350	350
Total undrawn financing arrangements	850	850

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	3,571	–	3,632	–
Sick leave	86	–	100	–
Long service leave	8,290	184	8,424	189
Gratuities	2,671	–	3,641	–
Other leave – RDO's	49	–	52	–
TOTAL PROVISIONS	14,667	184	15,849	189

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	210	2	177	2
Provisions relating to externally restricted assets	210	2	177	2
Total provisions relating to restricted assets	210	2	177	2
Total provisions relating to unrestricted assets	14,457	182	15,672	187
TOTAL PROVISIONS	14,667	184	15,849	189

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

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

Provisions – employees benefits	10,932	11,957
	10,932	11,957

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	Other leave – RDO's	Gratuities	
At beginning of year	3,632	100	8,613	52	3,641	16,038
Additional provisions	2,739	–	1,240	–	655	4,634
Amounts used (payments)	(2,800)	(14)	(1,379)	(3)	(755)	(4,951)
Remeasurement effects	–	–	–	–	(870)	(870)
Total ELE provisions at end of year	3,571	86	8,474	49	2,671	14,851

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	Other leave – RDO's	Gratuities	
At beginning of year	3,586	142	8,651	51	3,709	16,139
Additional provisions	2,587	11	1,138	52	398	4,186
Amounts used (payments)	(2,541)	(53)	(1,176)	(51)	(466)	(4,287)
Total ELE provisions at end of year	3,632	100	8,613	52	3,641	16,038

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.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Since 1982, Council has made a provision for an industrial agreement (No. 6768) for employees covered by the NSW Local Government (State) Award. Under this agreement, eligible employees with more than 20 years service at North Sydney Council are entitled to gratuity on retirement. During 2017/18, the agreement was reviewed and the eligibility criteria was confirmed. As a result, the provision for gratuity was reduced by \$970,000.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Nature of prior-period error

A comprehensive condition assessment of the Other Infrastructure asset class was completed in the 2018 financial year. The condition assessment identified a material difference between the carrying amount and fair value of this asset class resulting from two separate issues.

Prior to the condition assessment, depreciated historic cost was used as a representation of fair value for this asset class. The results of the condition assessment showed that this was not an accurate representation of fair value. The difference between the depreciated historic cost and fair value of identified assets as at 30 June 2018 was estimated to be \$76.2 million dollars.

In addition, 7,486 square metres of retaining walls that had not been recorded in Council's asset register were identified. The fair value of these retaining walls was estimated to be \$6.9 million dollars.

These errors were corrected by restating the balances of Infrastructure, Property, Plant and Equipment and the Asset Revaluation Reserve at the beginning of the earliest comparative period, 1 July 2016. As a result, the opening balance for both items was increased by \$86.7 million dollars.

Depreciation expense for the 2017 financial year was also revised to account for the increase in fair value of the Other Infrastructure asset class. Depreciation expense for the 2017 financial year was increased by \$1.9 million to \$18.7 million dollars in total. As a result, the net operating result for the year was reduced by \$1.9 million dollars to \$25.5 million dollars.

Changes to the opening Statement of Financial Position at 1 July 2016

	Original Balance 1 July, 2016	Impact Increase/ (decrease)	Restated Balance 1 July, 2016
Statement of Financial Position			
Infrastructure, property, plant and equipment	769,132	86,739	855,871
Total Assets	969,620	86,739	1,056,359
Total Liabilities	51,149	-	51,149
Revaluation reserves	169,960	86,739	256,699
Total equity	918,471	86,739	1,005,210

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

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

Adjustments to the comparative figures for the year ended 30 June 2017

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Statement of Financial Position			
Infrastructure, property, plant and equipment	812,464	84,834	897,298
Total assets	1,001,440	84,834	1,086,274
Total liabilities	47,691	–	47,691
Accumulated surplus	775,876	(1,905)	773,971
Revaluation reserves	177,873	86,739	264,612
Total equity	953,749	84,834	1,038,583
Income Statement			
Total income from continuing operations	133,517	–	133,517
Depreciation and amortisation	16,786	1,905	18,691
Total expenses from continuing operations	106,152	1,905	108,057
Operating result from discontinued operations	–	–	–
Net operating result for the year	27,365	(1,905)	25,460
Statement of Comprehensive Income			
Net operating result for the year	27,365	(1,905)	25,460
Other comprehensive income	7,913	–	7,913
Total comprehensive income for the year	35,278	(1,905)	33,373

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	5,908	6,172
Balance as per the Statement of Cash Flows		5,908	6,172
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		15,795	25,460
Adjust for non-cash items:			
Depreciation and amortisation		19,127	18,691
Net losses/(gains) on disposal of assets		692	5,194
Non-cash capital grants and contributions		–	(6,925)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L		–	(245)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		11	(227)
– Investment property		212	(5,233)
Share of net (profits) or losses of associates/joint ventures		20	1
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,539	(3,477)
Increase/(decrease) in provision for doubtful debts		–	94
Decrease/(increase) in inventories		(12)	(3)
Decrease/(increase) in other assets		(9)	(47)
Increase/(decrease) in payables		457	(2,184)
Increase/(decrease) in accrued interest payable		1	(2)
Increase/(decrease) in other accrued expenses payable		427	(977)
Increase/(decrease) in other liabilities		908	1,433
Increase/(decrease) in employee leave entitlements		(1,187)	(101)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		37,981	31,452
(c) Non-cash investing and financing activities			
S7.4 contributions 'in kind'		–	6,925
Total non-cash investing and financing activities		–	6,925

North Sydney Council

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

Note 15. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Joint ventures	(20)	(1)	13	33
Total	(20)	(1)	13	33

Joint arrangements

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
Shorelink Library Network	Joint Venture	Equity	13	33
Total carrying amounts – material joint ventures			13	33

(b) Details

Name of entity	Principal activity	Place of business
Shorelink Library Network	Automation of regional public library services	North Sydney

(c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017
Shorelink Library Network	31.37%	20.14%	32.08%	24.29%	25.00%	20.00%

(d) Summarised financial information for joint ventures

	Shorelink Library Network	
Statement of financial position	2018	2017
Current assets		
Cash and cash equivalents	141	224
Other current assets	10	7
Non-current assets	2	8
Current liabilities		
Other current liabilities	111	102
Net assets	42	137
Reconciliation of the carrying amount		
Opening net assets (1 July)	137	139
Profit/(loss) for the period	(95)	(2)
Closing net assets	42	137
Council's share of net assets (%)	32.1%	24.3%
Council's share of net assets (\$)	13	33

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Interests in other entities (continued)

\$ '000

Joint arrangements (continued)

(d) Summarised financial information for joint ventures (continued)

	Shorelink Library Network	
	2018	2017
Statement of comprehensive income		
Income	574	646
Interest income	3	4
Depreciation and amortisation	(3)	(5)
Other expenses	(628)	(647)
Profit/(loss) for period	(54)	(2)
Total comprehensive income	(54)	(2)
Share of income – Council (%)	31.4%	20.1%
Profit/(loss) – Council (\$)	(20)	(0)
Total comprehensive income – Council (\$)	(20)	(0)

Accounting policy for joint arrangements

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

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.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	2,045	1,667
Computer equipment	240	25
Infrastructure	11,609	11,597
Library books	8	9
Other structures	217	37
Parking meters	–	258
Plant and equipment	341	392
Total commitments	14,460	13,985
These expenditures are payable as follows:		
Within the next year	14,460	13,985
Total payable	14,460	13,985
Sources for funding of capital commitments:		
Unrestricted general funds	17	1,199
Section 7.11 and 64 funds/reserves	3,221	274
Unexpended grants	1,037	50
Externally restricted reserves	377	461
Internally restricted reserves	9,808	11,956
Unexpended loans	–	45
Total sources of funding	14,460	13,985

Details of capital commitments

Upgrade of North Sydney CBD and the renewal of roads, footpaths, drainage and open space infrastructure.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) Other guarantees

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

(iii) Legal Expenses

Council is the planning authority for its area under the Environmental Planning and Assessment Act 1979. Pursuant to that Act, certain persons dissatisfied by a planning decision of the Council may appeal to the Land and Environment Court. It is the Court's normal practice in Class 1 proceedings that parties bear their own legal costs. In Class 4 proceedings, costs usually follow the event.

As at 30 June 2018, there were twenty two (22) Land and Environment Court matters ongoing. Additionally, there were three (3) Supreme Court matters to be determined and three (3) Local Court matters yet to be prosecuted. Of these matters, one (1) involved legal proceedings in respect of the challenge to Council amalgamations. All known costs have been recognised but the amount of further costs cannot be known until the appeals are determined.

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Repayment of Community Funds

In 2001, Council entered into an agreement to fund building works relating to child care services in return for specific and continuing obligations from the service provider in relation to the provision of additional child care services.

In the event that such services are not provided to the levels agreed, Council has the right to be repaid its contribution to the building works at a rate amortised over the term of the agreement.

Council is not aware of any circumstances that would require it to seek the repayment of the funds in accordance with the Contractual Deed of Agreement.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management

\$ '000

Risk management

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

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

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

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

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	5,908	6,172	5,908	6,172
Investments				
– 'Held for trading'	63,081	74,606	63,081	74,606
Receivables	8,684	10,223	8,684	10,223
Total financial assets	77,673	91,001	77,673	91,001
Financial liabilities				
Payables	20,697	20,309	20,697	20,309
Loans/advances	9,500	9,500	9,500	9,500
Total financial liabilities	30,197	29,809	30,197	29,809

Fair value is determined as follows:

- **Cash** and **cash equivalents**, **receivables**, **payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 10% movement in market values	1,412	1,412	(1,412)	(1,412)
Possible impact of a 1% movement in interest rates	692	692	(692)	(692)
2017				
Possible impact of a 10% movement in market values	2,011	2,011	(2,011)	(2,011)
Possible impact of a 1% movement in interest rates	807	807	(807)	(807)

North Sydney Council

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

Note 18. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	70%	93%	51%	98%
Overdue	30%	7%	49%	2%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Ageing of receivables – value			2018	2017
Rates and annual charges				
Current			444	254
< 1 year overdue			122	168
1 – 2 years overdue			8	9
2 – 5 years overdue			23	24
> 5 years overdue			41	45
			<u>638</u>	<u>500</u>
Other receivables				
Current			7,575	9,612
0 – 30 days overdue			187	217
31 – 60 days overdue			48	24
61 – 90 days overdue			12	–
> 91 days overdue			357	3
			<u>8,179</u>	<u>9,856</u>

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Bank overdraft	8.21%	–	–	–	–	–	–
Trade/other payables	0.00%	10,550	10,106	–	–	20,697	20,697
Loans and advances	2.65%	–	336	1,770	10,503	12,609	9,500
Total financial liabilities		10,550	10,442	1,770	10,503	33,306	30,197
2017							
Bank overdraft	8.21%	–	–	–	–	–	–
Trade/other payables	0.00%	8,949	11,360	–	–	20,309	20,309
Loans and advances	2.45%	–	300	1,462	10,957	12,719	9,500
Total financial liabilities		8,949	11,660	1,462	10,957	33,028	29,809

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 22 May 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 Variance*		
REVENUES					
Rates and annual charges	54,972	56,316	1,344	2%	F
User charges and fees	26,279	33,208	6,929	26%	F
Additional revenue generated from increased development in the North Sydney CBD was the main reason the favourable variance in user charges and fees, with Construction Zone Permit fees and Hoarding Permit fees exceeding forecasts by \$2M and \$1.4M respectively. Greater than expected revenue from other development fees (\$1.2M), on-street parking (\$1.1M) and road reinstatement fees (\$566K) also significantly contributed to the variance.					
Interest and investment revenue	2,343	2,653	310	13%	F
Council traditionally adopts a conservative approach when budgeting for returns from its investment portfolio. This, along with a greater than anticipated pool of funds available for investment due to delays in the completion of some capital projects and the aforementioned increased income from user charges and fees, was the reason for the favourable variance in interest and investment revenue.					
Other revenues	15,630	17,835	2,205	14%	F
During the year, Link Housing transferred \$1.03M to Council for future refurbishment of affordable housing properties it manages on behalf of Council. This unbudgeted revenue, along with greater than expected revenue from property rental (\$589K), the recovery of legal fees (\$561K) and advertising on Council infrastructure (\$551K), offset a \$561K shortfall in revenue from parking infringements and resulted in a favourable variance in other revenues.					
Operating grants and contributions	4,192	4,489	297	7%	F
Capital grants and contributions	10,472	8,625	(1,847)	(18%)	U
Actual revenue from developer contributions fell short of budget forecasts by \$3.3M. Offsetting this, Council received \$1.25M of grant funding from the RMS towards bicycle and pedestrian facilities after the budget had been adopted. The combined effect of these two factors was the main reason for the unfavourable variance in capital grants and contributions.					
Net gains from disposal of assets	220	–	(220)	(100%)	U
During the year, road pavement and kerb and gutter infrastructure with a carrying amount of \$944K was replaced. The resulting write-off turned the forecast modest gain from the disposal of assets into a loss.					
Fair value increment on investment property	2,880	–	(2,880)	(100%)	U
The downturn in the Sydney property market resulted in falls in the fair value of Council's investment property portfolio, thereby turning a forecast fair value increment on investment property into a decrement.					

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance*	
EXPENSES				
Employee benefits and on-costs	42,730	41,680	1,050	2% F
Borrowing costs	336	302	34	10% F
Lower than anticipated interest rates applicable to Council's borrowings was the reason for the favourable variance in this category of expenses.				
Materials and contracts	32,254	36,734	(4,480)	(14%) U
Higher than forecast legal costs (\$1.2M), particularly in relation to planning and development control, was a major component of the unfavourable variance in materials and contracts. The use of contract labour to cover staff vacancies (\$1.03M) and the State Government's recovery from Council of costs incurred in connection with the North Sydney Council Public Inquiry (\$521K) also contributed significantly.				
Depreciation and amortisation	16,948	19,127	(2,179)	(13%) U
As disclosed in Note 13, it was necessary to restate the balance of Infrastructure, Property, Plant and Equipment as at 1 July 2016 to correct a prior period error in the fair value of Other Infrastructure assets. As a consequence of this, the depreciation expense relating to this class of assets in 2017/18 was significantly higher than originally forecast and this was the main reason for the unfavourable variance in depreciation and amortisation.				
Other expenses	8,875	8,564	311	4% F
Net losses from disposal of assets	–	692	(692)	0% U
As disclosed above, road pavement and kerb and gutter infrastructure with a carrying amount of \$944K was replaced during the year and the resulting write-off turned the forecast modest gain from the disposal of assets into a loss.				
Fair value decrement on investment property	–	212	(212)	0% U
As disclosed above, the downturn in the Sydney property market resulted in falls in the fair value of Council's investment property portfolio and, hence, turned a forecast fair value increment on investment property into a decrement.				
Joint ventures and associates – net losses	–	20	(20)	0% U
Council's share of the deficit incurred by the Shorelink Library Network joint venture was \$20K and this was not forecast in the Original Budget.				

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

Cash flows from operating activities	34,072	37,981	3,909	11.5% F
Greater than expected cash inflows from rates, user charges and fees and other revenues was the main reason for the favourable variance in forecast cash flows from operating activities.				
Cash flows from investing activities	(33,188)	(38,245)	(5,057)	15.2% U
\$12.5 million was required to be carried forward from 2016/17 to 2017/18 to fund the completion of capital projects unfinished at 30 June 2017. This resulted in cash outflows for the purchase of infrastructure, property, plant and equipment being in excess of that forecast in the Original Budget.				
Cash flows from financing activities	–	–	–	0.0% F

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'		–	63,081	–	63,081
Total financial assets		–	63,081	–	63,081
Investment property					
Investment properties	30/06/18	–	97,740	–	97,740
Total investment property		–	97,740	–	97,740
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	–	8,374	8,374
Office equipment	30/06/18	–	–	2,397	2,397
Furniture and fittings	30/06/18	–	–	3,433	3,433
Operational land	31/03/18	–	67,387	86,274	153,661
Community land	30/06/18	–	–	156,266	156,266
Land improvements – depreciable	30/06/18	–	–	18,508	18,508
Buildings – non-specialised	31/03/18	–	703	168	871
Buildings – specialised	31/03/18	–	28	127,243	127,271
Other structures	30/06/18	–	–	2,175	2,175
Roads	30/06/15	–	–	212,023	212,023
Footpaths	30/06/15	–	–	58,029	58,029
Stormwater drainage	30/06/15	–	–	127,990	127,990
Swimming pools	31/03/18	–	–	12,863	12,863
Other open space/recreation assets	30/06/18	–	–	3,784	3,784
Other infrastructure assets	30/06/18	–	–	120,992	120,992
Heritage collections	30/06/18	–	–	1,494	1,494
Library books	30/06/18	–	–	1,093	1,093
Total infrastructure, property, plant and equipment		–	68,118	943,106	1,011,224

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments – 'Held for trading'		–	74,606	–	74,606
Total financial assets		–	74,606	–	74,606
Investment property					
Investment properties	30/06/17	–	97,623	–	97,623
Total investment property		–	97,623	–	97,623
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/17	–	–	7,801	7,801
Office equipment	30/06/17	–	–	2,802	2,802
Furniture and fittings	30/06/17	–	–	3,687	3,687
Operational land	30/06/13	–	–	81,247	81,247
Community land	30/06/18	–	–	156,266	156,266
Land improvements – depreciable	30/06/17	–	–	17,781	17,781
Buildings – non-specialised	30/06/13	–	–	581	581
Buildings – specialised	30/06/13	–	–	84,152	84,152
Other structures	30/06/17	–	–	1,192	1,192
Roads	30/06/15	–	–	206,332	206,332
Footpaths	30/06/15	–	–	51,276	51,276
Stormwater drainage	30/06/15	–	–	127,099	127,099
Swimming pools	30/06/13	–	–	10,388	10,388
Other open space/recreation assets	30/06/17	–	–	3,258	3,258
Other infrastructure assets	30/06/17	–	–	115,563	115,563
Heritage collections	30/06/17	–	–	1,487	1,487
Library books	30/06/17	–	–	1,090	1,090
Total infrastructure, property, plant and equipment		–	–	872,002	872,002

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

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

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

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

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

Investment property

The market approach using level 2 inputs was used to value Council's investment properties.

Level 2 inputs:

- Quoted prices for similar assets in active markets
- Comparison of rate per square metre of floor area

The 2018 revaluations were based on Independent Assessments made by Ms Elise Wallace of Australis Advisory Group Pty Ltd. There has been no change to the valuation process during the reporting period.

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

Plant & Equipment

The cost approach using level 3 inputs was used to value Council's plant and equipment.

Level 3 inputs:

- Depreciated historic cost
- Useful life

Office Equipment

The cost approach using level 3 inputs was used to value Council's office equipment.

Level 3 inputs:

- Depreciated historic cost
- Useful life

Furniture & Fittings

The cost approach using level 3 inputs was used to value Council's furniture and fittings.

Level 3 inputs:

- Depreciated historic cost
- Useful life

Operational Land

The market approach using level 3 inputs was used to value Council's operational land.

Level 3 inputs:

- Rate per square metre from the sales evidence available

Community Land

The market approach using level 3 inputs was used to value Council's community land.

Level 3 inputs:

- Inputs to Valuer General valuations

Land Improvements - depreciable

The cost approach using level 3 inputs was used to value Council's depreciable land improvements.

Level 3 inputs:

- Depreciated historic cost
- Useful life

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

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

Non specialised buildings

The cost approach using level 3 inputs was used to value Council's non specialised buildings.

Level 3 inputs:

- Components
- Cost
- Residual value
- Useful life
- Asset condition

Specialised buildings

The cost approach using level 3 inputs was used to value Council's specialised buildings.

Level 3 inputs:

- Components
- Cost
- Residual value
- Useful life
- Asset condition

Roads

The cost approach using level 3 inputs was used to value Council's road assets.

Level 3 inputs:

- Unit rates
- Useful life
- Remaining life
- Residual value

Footpaths

The cost approach using level 3 inputs was used to value Council's footpath assets.

Level 3 inputs:

- Unit rates
- Useful life
- Remaining life
- Residual value

Stormwater Drainage

The cost approach using level 3 inputs was used to value Council's stormwater drainage assets.

Level 3 inputs:

- Unit rates
- Useful life
- Remaining life
- Residual value

Swimming Pools

The costs approach using level 3 inputs was used to value Council's swimming pools.

Level 3 inputs:

- Components
- Cost
- Residual value
- Useful life
- Asset condition

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

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

Open Space/Recreation Assets

The cost approach using level 3 inputs was used to value Council's open space/recreation assets.

Level 3 inputs:

- Depreciated historic cost
- Useful life

Other Infrastructure Assets

The cost approach using level 3 inputs was used to value Council's other infrastructure assets.

Level 3 inputs:

- Components
- Cost
- Residual value
- Useful life
- Asset condition

Heritage Collections

The cost approach using level 3 inputs was used to value Council's heritage collections.

Level 3 inputs:

- Depreciated historic cost
- Useful life

Library Books

The cost approach using level 3 inputs was used to value Council's library books.

Level 3 inputs:

- Depreciated historic cost
 - Useful life
-

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Total
Opening balance – 1/7/16	8,022	2,944	2,923	13,889
Purchases (GBV)	2,703	928	1,229	4,860
Disposals (WDV)	(1,021)	(59)	(25)	(1,105)
Depreciation and impairment	(1,903)	(1,011)	(440)	(3,354)
Closing balance – 30/6/17	7,801	2,802	3,687	14,290
Purchases (GBV)	3,779	579	248	4,606
Disposals (WDV)	(1,224)	(21)	–	(1,245)
Depreciation and impairment	(1,982)	(963)	(502)	(3,447)
Closing balance – 30/6/18	8,374	2,397	3,433	14,204

	Operational land	Community land	Land improve- -ments depreciable	Buildings non specialised	Total
Opening balance – 1/7/16	78,958	150,397	16,853	622	246,830
Transfers from/(to) another asset class	890	(890)	–	–	–
Purchases (GBV)	–	–	1,382	–	1,382
Depreciation and impairment	–	–	(454)	(41)	(495)
FV gains – other comprehensive income	1,399	6,514	–	–	7,913
FV gains – Income Statement ¹	–	245	–	–	245
Closing balance – 30/6/17	81,247	156,266	17,781	581	255,875
Transfers from/(to) level 2 FV hierarchy	(28,649)	–	–	(463)	(29,112)
Purchases (GBV)	3,831	–	1,239	–	5,070
Depreciation and impairment	–	–	(512)	(8)	(520)
FV gains – other comprehensive income	29,845	–	–	58	29,903
Closing balance – 30/6/18	86,274	156,266	18,508	168	261,216

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

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

	Buildings specialised	Other structures	Roads	Footpaths	Total
Opening balance – 1/7/16	84,619	37	199,048	44,632	328,336
Purchases (GBV)	9,644	1,170	11,532	8,371	30,717
Disposals (WDV)	(6,925)	–	(590)	(194)	(7,709)
Depreciation and impairment	(3,186)	(15)	(3,658)	(1,533)	(8,392)
Closing balance – 30/6/17	84,152	1,192	206,332	51,276	342,952
Transfers from/(to) level 2 FV hierarchy	(130)	–	–	–	(130)
Transfers from/(to) another asset class	214	–	–	–	214
Purchases (GBV)	24,440	1,009	10,194	8,721	44,364
Disposals (WDV)	–	–	(685)	(259)	(944)
Depreciation and impairment	(3,144)	(26)	(3,818)	(1,709)	(8,697)
FV gains – other comprehensive income	21,711	–	–	–	21,711
Closing balance – 30/6/18	127,243	2,175	212,023	58,029	399,470
	Stormwater drainage	Swimming pools	Open space recreation assets	Other infrastructure assets	Total
Opening balance – 1/7/16	126,389	10,727	3,437	112,176	252,729
Purchases (GBV)	2,374	81	363	6,787	9,605
Depreciation and impairment	(1,664)	(420)	(542)	(3,400)	(6,026)
Closing balance – 30/6/17	127,099	10,388	3,258	115,563	256,308
Transfers from/(to) another asset class	–	–	–	(214)	(214)
Purchases (GBV)	2,556	56	1,073	9,043	12,728
Depreciation and impairment	(1,665)	(397)	(547)	(3,400)	(6,009)
FV gains – other comprehensive income	–	2,816	–	–	2,816
Closing balance – 30/6/18	127,990	12,863	3,784	120,992	265,629
			Heritage Collection	Library Books	Total
Opening balance – 1/7/16			1,459	1,089	2,548
Purchases (GBV)			68	385	453
Depreciation and impairment			(40)	(384)	(424)
Closing balance – 30/6/17			1,487	1,090	2,577
Purchases (GBV)			37	390	427
Depreciation and impairment			(30)	(387)	(417)
Closing balance – 30/6/18			1,494	1,093	2,587

North Sydney Council

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

Note 20. Fair value measurement (continued)

\$ '000

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

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Plant and equipment	8,374	Cost approach	Depreciated historic cost Useful life
Office equipment	2,396	Cost approach	Depreciated historic cost Useful life
Furniture and fittings	3,433	Cost approach	Depreciated historic cost Useful life
Operational land	86,274	Market approach	Rate per square metre
Community land	156,266	Market approach	Rate per square metre
Land improvements - depreciable	18,508	Cost approach	Depreciated historic cost Useful life
Buildings - non specialised	168	Cost approach	Components Cost Residual value Useful life Condition
Buildings - specialised	127,243	Cost approach	Components Cost Residual value Useful life Condition
Other Structures	2,175	Cost approach	Depreciated historic cost Useful life
Roads	212,022	Cost approach	Unit Rates Useful life Remaining life Residual Value

North Sydney Council

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

Note 20. Fair value measurement (continued)

\$ '000

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

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (cont'd)			
Footpaths	58,029	Cost approach	Unit Rates Useful life Remaining life Residual Value
Stormwater drainage	127,990	Cost approach	Unit Rates Useful life Remaining life Residual Value
Swimming pools	12,863	Cost approach	Components Cost Residual value Useful life Condition
Other open space/recreation assets	3,784	Cost approach	Depreciated historic cost Useful life
Other infrastructure assets	120,992	Cost approach	Components Cost Residual value Useful life
Heritage collections	1,494	Cost approach	Depreciated historic cost Useful life
Library books	1,093	Cost approach	Depreciated historic cost Useful life

(5). Highest and best use

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions

\$ '000

a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. They are the Mayor, Councillors, General Manager, Director of Corporate Services, Director of City Strategy, Director of Community and Library Services, Director of Engineering and Property Services, Director of Open Space and Environmental Services and Chief Operating Officer.

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

Compensation:	2018	2017
Short-term benefits (salaries, Mayoral Allowance, Councillors fees)	2,484	2,224
Post-employment benefits (superannuation)	145	161
Other long-term benefits (increase in employee leave entitlements)	(839)	292
Total	1,790	2,677

Note 22. Events occurring after the reporting date

In 2015/16, Council took up a \$9.5 million loan to partially fund the upgrade of both the Alexander Street Car Park in Crows Nest and Council's on-street parking management system. The loan had a three year tenor and was subsequently renegotiated on 31 July 2018.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Administration	489	57	–	1	–	–	547	–
Affordable Housing	3,395	–	–	8	–	–	3,403	–
Child Care	1,309	187	–	4	(14)	–	1,486	–
Community Centres	–	210	–	–	(69)	(141)	–	(1,068)
Indoor Sports Centre	–	36	–	–	–	(36)	–	(24)
Library Acquisitions	35	39	–	–	(10)	–	64	–
Library Premises & Equipment	–	120	–	–	(10)	(110)	–	(420)
Olympic Pool	–	117	–	–	–	(86)	31	–
Open Space Acquisitions	10,477	1,115	–	28	(6,170)	(1,323)	4,127	7,161
Open Space Increased Capacity	–	2,204	–	–	(3,017)	813	–	(4,438)
North Sydney Public Domain	–	1,656	–	–	(2,539)	883	–	(1,211)
Other Public Domain	357	38	–	1	–	–	396	–
St Leonards Public Domain	744	–	–	1	(49)	–	696	–
Traffic Improvements	901	191	–	3	–	–	1,095	–
S7.11 contributions – under a plan	17,707	5,970	–	46	(11,878)	–	11,845	–
Total S7.11 and S7.12 revenue under plans	17,707	5,970	–	46	(11,878)	–	11,845	–
S7.4 planning agreements	5,084	–	–	6	(3,486)	–	1,604	–
Total contributions	22,791	5,970	–	52	(15,364)	–	13,449	–

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

NORTH SYDNEY PLAN 2004

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					
Administration	489	57	–	1	–	–	547	–
Affordable Housing	3,395	–	–	8	–	–	3,403	–
Child Care	1,309	187	–	4	(14)	–	1,486	–
Community Centres	–	210	–	–	(69)	(141)	–	(1,068)
Indoor Sports Centre	–	36	–	–	–	(36)	–	(24)
Library Acquisitions	35	39	–	–	(10)	–	64	–
Library Premises & Equipment	–	120	–	–	(10)	(110)	–	(420)
Olympic Pool	–	117	–	–	–	(86)	31	–
Open Space Acquisitions	10,477	1,115	–	28	(6,171)	(1,318)	4,131	7,161
Open Space Increased Capacity	–	2,204	–	–	(3,012)	808	–	(4,438)
North Sydney Public Domain	–	1,656	–	–	(2,539)	883	–	(1,211)
Other Public Domain	357	38	–	1	–	–	396	–
St Leonards Public Domain	744	–	–	1	(49)	–	696	–
Traffic Improvements	901	191	–	3	–	–	1,095	–
Total	17,707	5,970	–	46	(11,874)	–	11,849	–

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	8,105	7.08%	5.92%	1.46%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	114,512				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	110,023	89.35%	80.31%	63.67%	> 60.00%
Total continuing operating revenue ⁽¹⁾	123,137				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	58,536	2.20x	3.51x	3.30x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	26,656				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	27,534	91.17x	84.31x	62.39x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	302				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	737	1.29%	1.13%	1.05%	< 5% metro
Rates, annual and extra charges collectible	56,994				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	54,908	6.69 mths	7.8 mths	8.0 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	8,202				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 11 and 12.

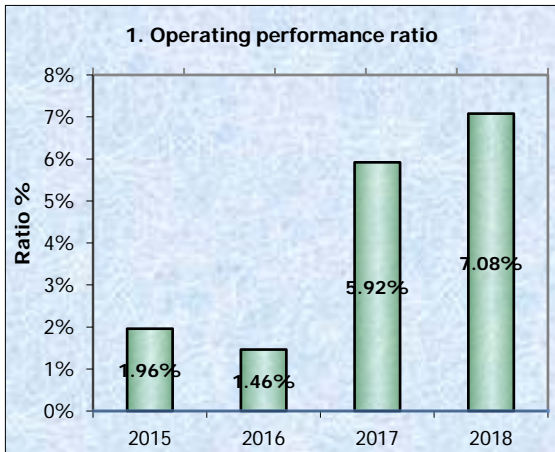
⁽⁴⁾ Refer to Note 11(b) and 12(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

END OF AUDITED FINANCIAL STATEMENTS

North Sydney Council

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

Note 24(b). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

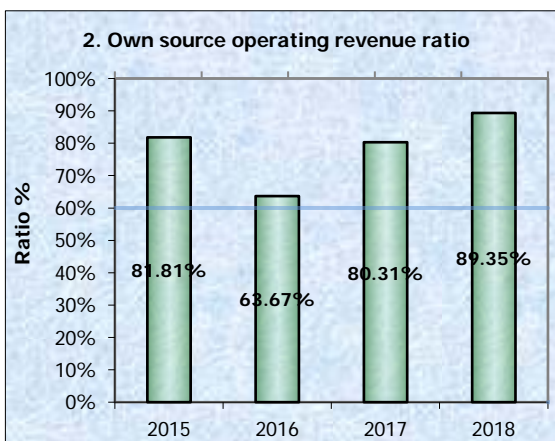
Commentary on 2017/18 result

2017/18 ratio 7.08%

This ratio was better than benchmark for the fourth consecutive year. Excluding capital grants and contributions, fair value adjustments and losses from both disposal of assets and our interest in the Shorelink Library Network joint venture, a \$8.1M operating surplus was achieved. With the expiration of a special rate variation, which has permitted annual rates increases of 5.5% since 2011/12, this operating result is forecast to gradually deteriorate in future years.

Benchmark: Minimum >=0.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

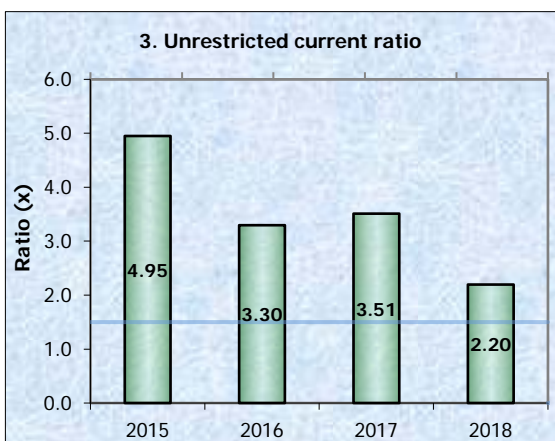
Commentary on 2017/18 result

2017/18 ratio 89.35%

This ratio was better than the benchmark, as has been the case for many years. 89% of Council's operating revenue was derived from internal funding sources, i.e. other than from grants and contributions.

Benchmark: Minimum >=60.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2017/18 result

2017/18 ratio 2.20x

This ratio was better than the benchmark considered satisfactory by the industry, as has been the case for many years. This a reflection of Council's ongoing capacity to meet obligations for its unrestricted activities in the short term. At 30 June 2018, for every \$1 of current liabilities to be funded from unrestricted cash, \$2.20 was available.

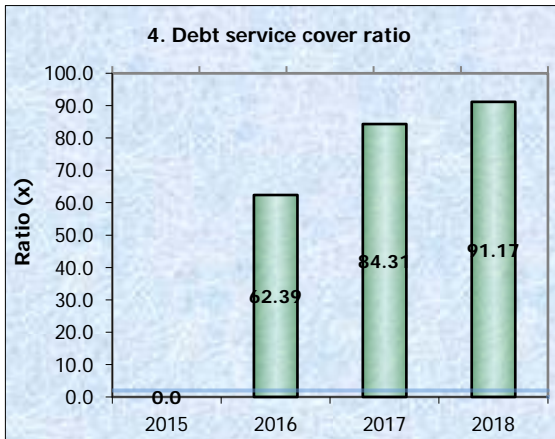
Benchmark: Minimum >=1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

North Sydney Council

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

Note 24(b). Statement of performance measures – consolidated results (graphs)



Purpose of debt service cover ratio

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

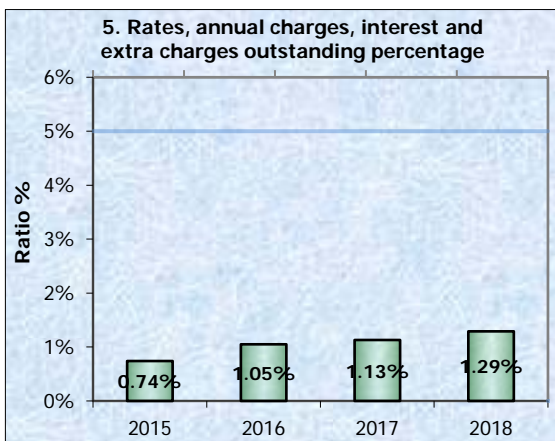
Commentary on 2017/18 result

2017/18 ratio 91.17x

This ratio was better than the benchmark for the third consecutive year. In 2015/16, Council borrowed \$9.5M with repayments consisting of interest only until 31 July 2018. Excluding capital grants and contributions, fair value adjustments and losses from both disposal of assets and our interest in the Shorelink Library Network joint venture, the net operating surplus was sufficient to cover annual interest payments 91.2 times.

Benchmark: Minimum ≥ 2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

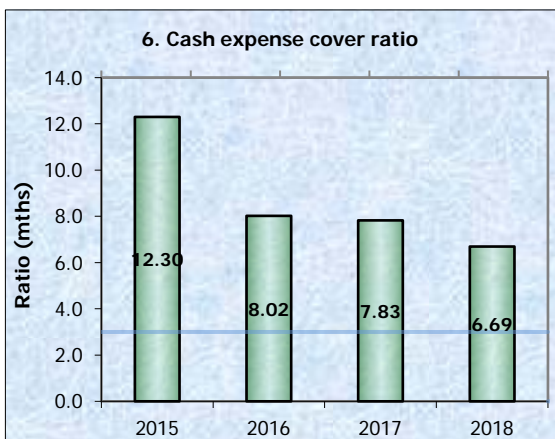
Commentary on 2017/18 result

2017/18 ratio 1.29%

While increasing slightly over the past three years, this ratio was still considerably better than the benchmark. This is a reflection of the ongoing effectiveness of Council's recovery efforts.

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

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2017/18 result

2017/18 ratio 6.69 mths

This ratio was better than the benchmark, as has been the case for many years. At 30 June 2018, Council had sufficient cash and funds invested in term deposits which could be redeemed if required to continue paying for its immediate expenses for 6.7 months in the absence of any additional cash inflows.

Benchmark: Minimum ≥ 3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25. Financial review and commentary

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Inflows:					
Rates and annual charges revenue	56,316	51,477	49,000	46,336	43,550
User charges revenue	33,208	29,814	25,474	24,812	22,709
Interest and investment revenue (losses)	2,653	3,561	3,968	4,613	4,022
Grants income – operating and capital	5,857	6,955	5,095	3,922	2,939
Total income from continuing operations	123,126	133,517	160,796	116,219	120,157
Sale proceeds from IPP&E	1,497	3,620	1,204	1,408	20,769
New loan borrowings and advances	–	–	9,500	–	–
Outflows:					
Employee benefits and on-cost expenses	41,680	41,367	40,544	38,756	35,559
Borrowing costs	302	302	277	–	–
Materials and contracts expenses	36,734	34,159	34,421	30,891	29,275
Total expenses from continuing operations	107,331	108,057	99,236	93,644	93,414
Total cash purchases of IPP&E	50,927	55,256	49,249	30,582	23,902
Operating surplus/(deficit) (excl. capital income)	7,170	6,980	13,856	7,032	15,329
Financial position figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Current assets	77,726	90,994	107,917	109,100	37,888
Current liabilities	46,056	38,002	41,444	33,575	28,734
Net current assets	31,670	52,992	66,473	75,525	9,154
Available working capital (Unrestricted net current assets)	(7,767)	(5,585)	(3,421)	(2,515)	(993)
Cash and investments – unrestricted	4,546	5,332	12,946	9,124	6,227
Cash and investments – internal restrictions	45,520	49,806	52,834	64,316	66,005
Cash and investments – total	68,989	80,778	100,955	103,141	95,618
Total borrowings outstanding (Loans, advances and finance leases)	9,500	9,500	9,720	1,720	–
Total value of IPP&E (excl. land and earthworks)	1,152,904	1,114,111	895,195	832,542	748,451
Total accumulated depreciation	444,672	454,326	355,418	341,097	359,865
Indicative remaining useful life (as a % of GBV)	61%	59%	60%	59%	52%

Source: published audited financial statements of Council (current year and prior year)

North Sydney Council

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

Note 26. Council information and contact details

Principal place of business:

200 Miller Street
North Sydney NSW 2060

Contact details

Mailing address:

PO Box 12
North Sydney NSW 2060

Opening hours:

9am - 5pm
Monday - Friday

Telephone: 02 9936 8100

Facsimile: 02 9936 8177

Internet: www.northsydney.nsw.gov.au

Email: council@northsydney.nsw.gov.au

Officers

GENERAL MANAGER

Ken Gouldthorp

Elected members

MAYOR

Jilly Gibson

RESPONSIBLE ACCOUNTING OFFICER

Garry Ross

Other information

ABN: 32 353 260 317



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
North Sydney Council

To the Councillors of the North Sydney Council

Opinion

I have audited the accompanying financial report of North Sydney 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:

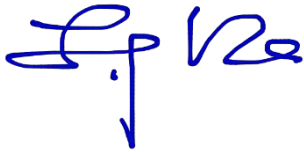
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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



Weini Liao
Director, Financial Audit Services

30 October 2018
SYDNEY

Cr Jilly Gibson
Mayor
North Sydney Council
PO Box 12
NORTH SYDNEY NSW 2059

Contact: Weini Liao
Phone no: 02 9275 7432
Our ref: D1826338/1771

30 October 2018

Dear Mayor

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

I have audited the general purpose financial statements of North Sydney 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	56.3	51.5	↑ 9.3
Grants and contributions revenue	13.1	25.2	↓ 48.0
Operating result for the year	15.8	25.5	↓ 38.0
Net operating result before capital amounts	7.2	7.0	↑ 2.8

Council's operating result (\$15.8 million including the effect of depreciation and amortisation expense of \$25.5 million) was \$9.7 million lower than the 2016–17 result. This was mainly due to the receipt of developer contributions from planning agreements of \$8.1 million in 2016–17.

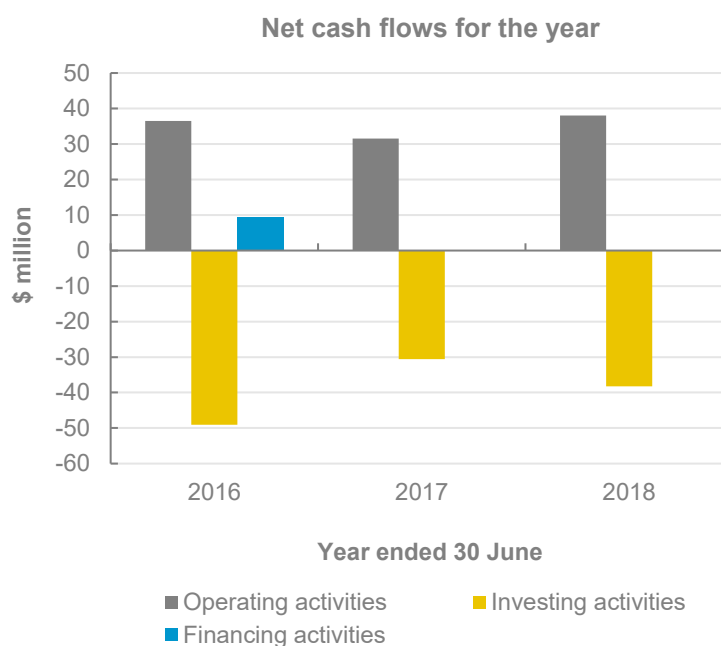
The net operating result before capital grants and contributions (\$7.2 million) in 2017–18 was \$0.2 million higher than the 2016–17 result.

Rates and annual charges revenue (\$56.3 million) increased by \$4.8 million (9.3 per cent) in 2017–2018. The increase is due to the now expired special rate variation of 5.5 per cent and increased domestic waste management charges.

Grants and contributions revenue (\$13.1 million) decreased by \$12.1 million (48.0 per cent) in 2017–18 due to a decrease of capital developer contributions of \$9.8 million.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased from \$6.2 million to \$5.9 million at the close of the year.
- Cash inflows from operating activities increased from 2016–17 as a result of increased rates, fees and charges.
- The increased cash outflows from investing activities is due to an increase in acquisition of investment securities held.
- The cash inflow from financing in 2015–16 relates to borrowing \$9.5 million on a facility of interest only repayments until maturity in July 2018.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	18.9	25.6	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, developer contributions, and domestic waste and stormwater management charges and unspent levies. The balance of developers contributions held reduced due to capital expenditure on open space \$9.2 million. Balances are internally restricted due to Council policy or decisions for forward plans including works program. These funds also reduced during the year as a result of capital works. Unrestricted balances provide liquidity for day-to-day operations.
Internal restrictions	45.5	49.8	
Unrestricted	4.6	5.3	
Cash and investments	69.0	80.8	

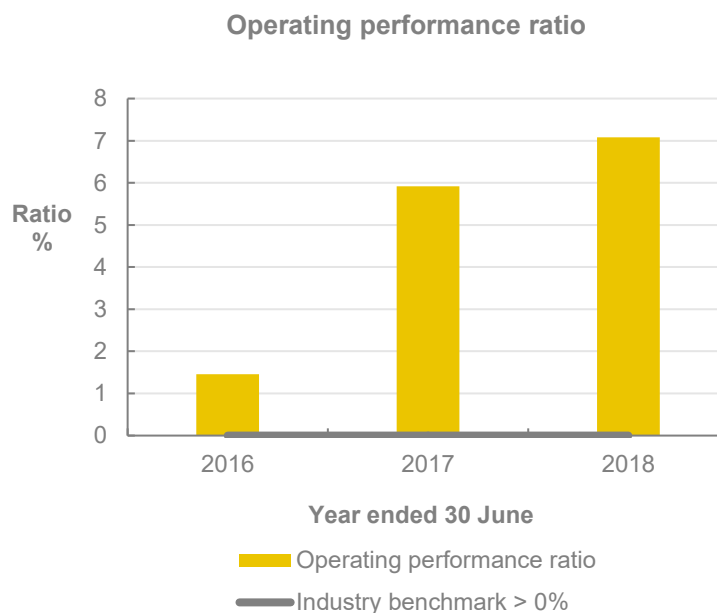
PERFORMANCE RATIOS

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

Operating performance ratio

- Council has exceeded the benchmark of zero per cent for the last three years. This has resulted from the Council running an operating surplus.
- The operating performance ratio has increased from last year as higher proportion of income has been derived from rates revenue this year.

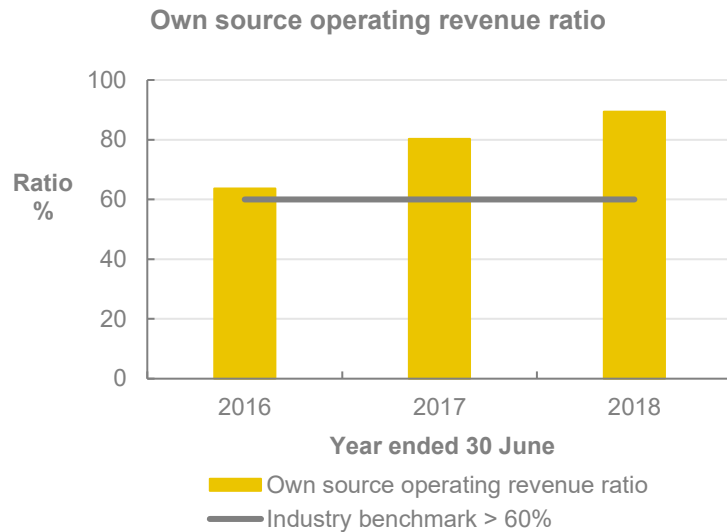
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 89.4 per cent exceeded the industry benchmark. This reflects the significance of rates and user charges as funding sources for Council.
- The increase in this ratio during the year reflects increase in rates revenue and lower contributions.

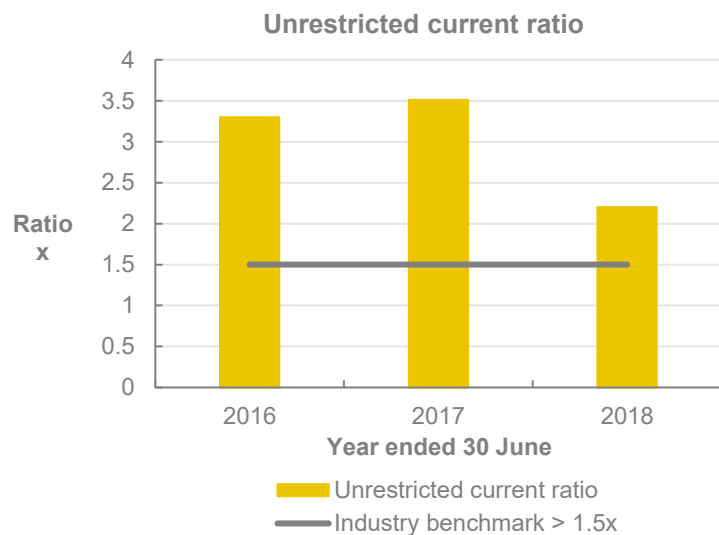
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- Council has exceeded the benchmark of 1.5 times for the last three years.
- This ratio indicated that Council currently had 2.2 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities. This exceeded the industry benchmark.
- There has been a slight decrease in this ratio during the year, due to borrowings of \$9.5 million becoming a current liability at year end.

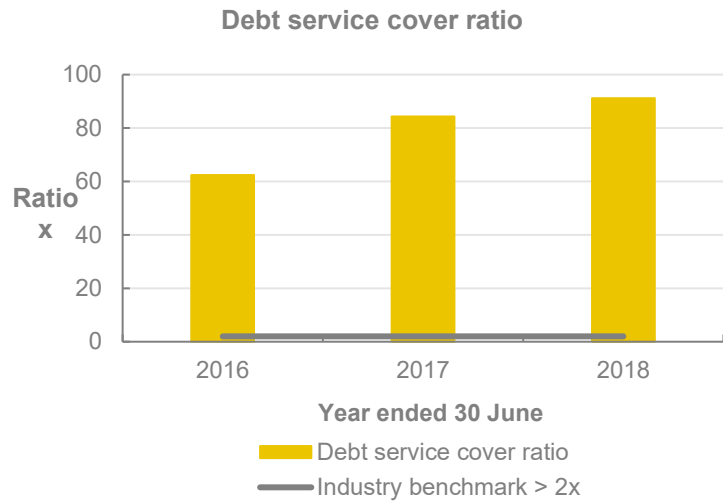
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- Council has exceeded the benchmark of two for the last three years.
- The debt service cover ratio of 91.2 times well exceeded the industry benchmark as the Council has a facility to only service interest on borrowings until maturity in July 2018.

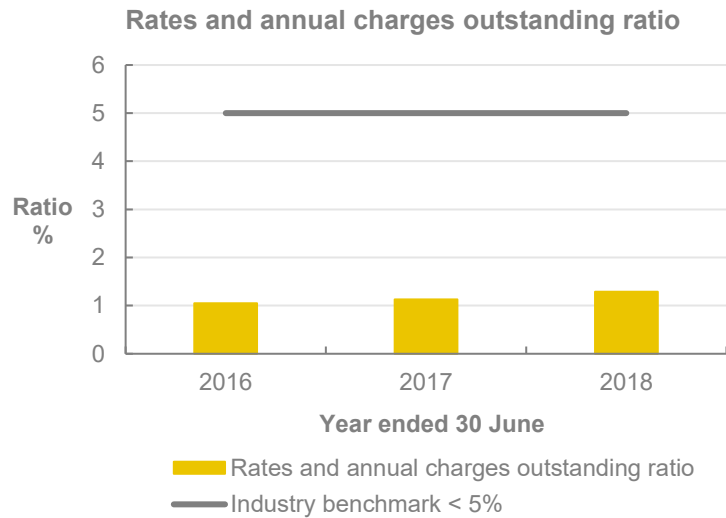
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council's outstanding rates and charges ratio of 1.3 per cent was within the industry benchmark.
- Management attribute the ongoing improvement in this ratio to their recovery efforts.

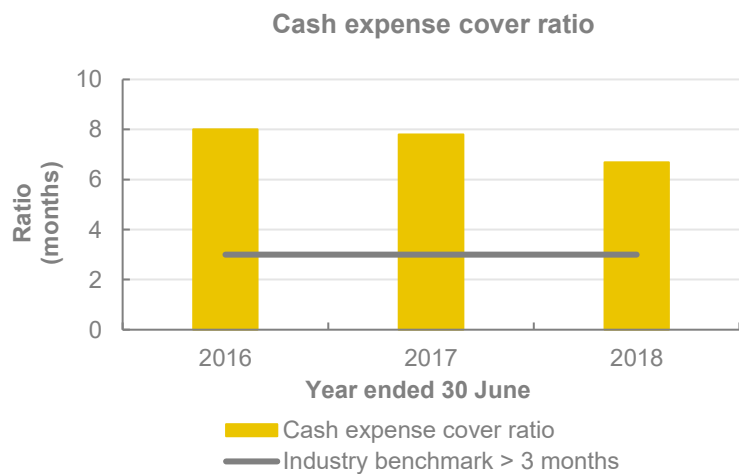
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 6.7 months has well exceeded the industry benchmark.
- The ratio has slightly declined in 2017–18 as cash balances have slightly reduced as compared to 2016–17.

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

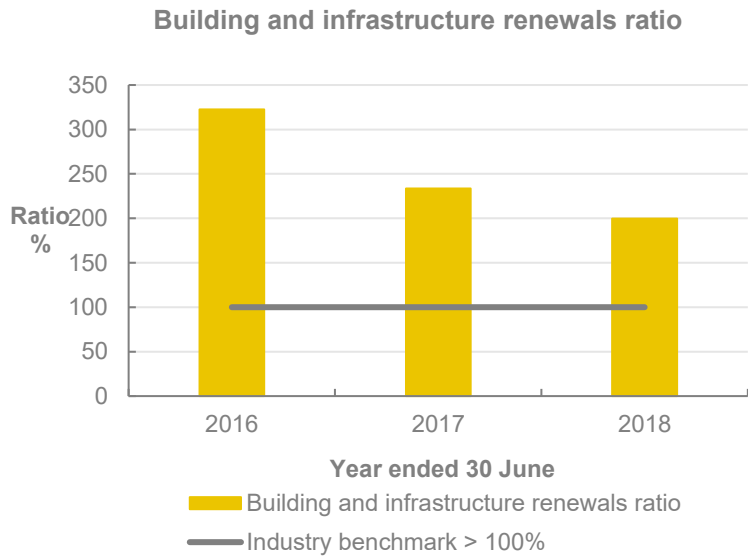


Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio of 200 per cent exceeded the industry benchmark.
- Council's building and infrastructure renewals ratio has declined over the past three years which demonstrates continued lower investment in the renewal of existing infrastructure.

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

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



OTHER MATTERS

New accounting standards implemented

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

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

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

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

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.

Weini Liao
Director, Financial Audit Services

cc: Mr Ken Gouldthorp, General Manager
Mr Ron Switzer, Chair of the Audit and Risk Committee
Mr Tim Hurst, Chief Executive of the Office of Local Government

North Sydney Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

progressive *vibrant* diverse



SECTION II

North Sydney 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	6
3. Notes to the Special Purpose Financial Statements	9
4. Auditor’s Report	13

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).
-

North Sydney 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 24 September 2018.




Jilly Gibson
Mayor
24 September 2018



Stephen Barbour
Councillor
24 September 2018



Ken Gouldthorp
General Manager
24 September 2018



Garry Ross
Responsible Accounting Officer
24 September 2018

North Sydney Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Commercial Properties		Waste Management	
	Category 1		Category 1	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
Access charges	–	–	12,801	10,443
User charges	–	–	1,254	1,104
Fees	–	–	407	393
Grants and contributions provided for non-capital purposes	–	–	42	41
Other income	6,897	12,018	–	–
Total income from continuing operations	6,897	12,018	14,504	11,981
Expenses from continuing operations				
Employee benefits and on-costs	4	4	1,460	1,490
Materials and contracts	2,194	2,140	10,112	9,681
Depreciation, amortisation and impairment	287	275	–	–
Calculated taxation equivalents	606	731	36	42
Loss on revaluation	7,359	–	–	–
Other expenses	657	753	30	33
Total expenses from continuing operations	11,107	3,903	11,638	11,246
Surplus (deficit) from continuing operations before capital amounts	(4,210)	8,115	2,866	735
Surplus (deficit) from continuing operations after capital amounts	(4,210)	8,115	2,866	735
Surplus (deficit) from all operations before tax	(4,210)	8,115	2,866	735
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(2,435)	(860)	(221)
SURPLUS (DEFICIT) AFTER TAX	(4,210)	5,681	2,006	515
Plus opening retained profits	104,734	101,119	(65)	(1,287)
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	606	731	36	42
– Corporate taxation equivalent	–	2,435	860	221
Add:				
– Subsidy paid/contribution to operations	4,151	–	–	445
Less:				
– Dividend paid	–	(5,231)	(786)	–
Closing retained profits	105,281	104,734	2,051	(65)
Return on capital %	-56.5%	112.9%	n/a	n/a
Subsidy from Council	4,406	–	–	–

North Sydney Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Car Parking Services Category 1		North Sydney Function Centre Category 2	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
Fees	3,521	3,414	933	728
Total income from continuing operations	3,521	3,414	933	728
Expenses from continuing operations				
Employee benefits and on-costs	255	240	395	330
Materials and contracts	795	692	610	459
Depreciation, amortisation and impairment	1,222	1,247	78	77
Calculated taxation equivalents	321	324	–	–
Other expenses	471	531	354	283
Total expenses from continuing operations	3,064	3,034	1,437	1,149
Surplus (deficit) from continuing operations before capital amounts	457	380	(504)	(421)
Surplus (deficit) from continuing operations after capital amounts	457	380	(504)	(421)
Surplus (deficit) from all operations before tax	457	380	(504)	(421)
Less: corporate taxation equivalent (30%) [based on result before capital]	(137)	(114)	–	–
SURPLUS (DEFICIT) AFTER TAX	320	266	(504)	(421)
Plus opening retained profits	58,661	59,010	1,143	905
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	321	324	–	–
– Corporate taxation equivalent	137	114	–	–
Add:				
– Subsidy paid/contribution to operations	–	–	683	659
Less:				
– Dividend paid	(607)	(1,053)	–	–
Closing retained profits	58,832	58,661	1,322	1,143
Return on capital %	0.4%	0.5%	-20.4%	-22.1%
Subsidy from Council	2,713	1,314	569	466

North Sydney Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

Development
Applications
Category 2

\$ '000	2018	2017
Income from continuing operations		
Fees	1,494	1,463
Total income from continuing operations	1,494	1,463
Expenses from continuing operations		
Employee benefits and on-costs	4,068	4,519
Materials and contracts	231	215
Calculated taxation equivalents	195	213
Other expenses	563	633
Total expenses from continuing operations	5,057	5,580
Surplus (deficit) from continuing operations before capital amounts	(3,563)	(4,117)
Surplus (deficit) from continuing operations after capital amounts	(3,563)	(4,117)
Surplus (deficit) from all operations before tax	(3,563)	(4,117)
SURPLUS (DEFICIT) AFTER TAX	(3,563)	(4,117)
Plus opening retained profits	(1,358)	(1,286)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	195	213
Add:		
– Subsidy paid/contribution to operations	3,528	3,832
Closing retained profits	(1,198)	(1,358)
Return on capital %	n/a	n/a
Subsidy from Council	3,563	4,117

North Sydney Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	Commercial Properties		Waste Management	
	Category 1		Category 1	
	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	–	–	2,861	933
Receivables	241	121	186	105
Total Current Assets	241	121	3,047	1,038
Non-current assets				
Infrastructure, property, plant and equipment	7,456	7,190	–	–
Investment property	97,740	97,623	–	–
Total non-current assets	105,196	104,813	–	–
TOTAL ASSETS	105,437	104,934	3,047	1,038
LIABILITIES				
Current liabilities				
Payables	156	200	782	923
Provisions	–	–	210	177
Total current liabilities	156	200	992	1,100
Non-current liabilities				
Payables	–	–	2	2
Provisions	–	–	2	1
Total non-current liabilities	–	–	4	3
TOTAL LIABILITIES	156	200	996	1,103
NET ASSETS	105,281	104,734	2,051	(65)
EQUITY				
Accumulated surplus	105,281	104,734	2,051	(65)
TOTAL EQUITY	105,281	104,734	2,051	(65)

North Sydney Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

	Car Parking Services Category 1		North Sydney Function Centre Category 2	
\$ '000	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	8	8	6	6
Receivables	20	22	20	17
Inventories	–	–	33	23
Total Current Assets	28	30	59	46
Non-current assets				
Infrastructure, property, plant and equipment	120,535	71,178	2,475	1,906
Total non-current assets	120,535	71,178	2,475	1,906
TOTAL ASSETS	120,563	71,208	2,534	1,952
LIABILITIES				
Current liabilities				
Payables	139	127	–	–
Provisions	84	76	100	52
Total current liabilities	223	203	100	52
Non-current liabilities				
Provisions	1	1	1	1
Total non-current liabilities	1	1	1	1
TOTAL LIABILITIES	224	204	101	53
NET ASSETS	120,339	71,004	2,433	1,899
EQUITY				
Accumulated surplus	58,832	58,661	1,322	1,143
Revaluation reserves	61,507	12,343	1,111	756
TOTAL EQUITY	120,339	71,004	2,433	1,899

North Sydney Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

Development Applications

Category 2

\$ '000	2018	2017
ASSETS		
Nil		
LIABILITIES		
Current liabilities		
Payables	–	28
Provisions	1,182	1,313
Total current liabilities	1,182	1,341
Non-current liabilities		
Provisions	16	17
Total non-current liabilities	16	17
TOTAL LIABILITIES	1,198	1,358
NET ASSETS	(1,198)	(1,358)
EQUITY		
Accumulated surplus	(1,198)	(1,358)
TOTAL EQUITY	(1,198)	(1,358)

North Sydney 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	10

North Sydney 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)

- a. Commercial Properties**
Managed rental Property portfolio.
- b. Waste Management**
Waste collection and disposal (Domestic, Trade and recyclables).
- c. Car Parking Services**
Permanent and casual off street parking facilities subject to charges.

North Sydney Council

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

Note 1. Significant accounting policies (continued)

Category 2

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

a. North Sydney Oval Function Centre

Bar and catering facilities for hire to the public and members.

b. Development Applications

Building, Development and Subdivision approval processing.

Monetary amounts

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

Income tax

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

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

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

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

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

North Sydney Council

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

Note 1. Significant accounting policies (continued)

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

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

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

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

North Sydney Council

To the Councillors of the North Sydney Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of North Sydney Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each 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 Activities of the Council are:

- commercial properties
- waste management
- car parking services
- North Sydney function centre
- development applications.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities 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:

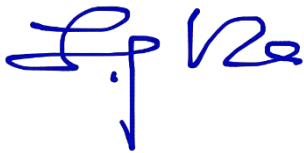
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.



Weini Liao
Director, Financial Audit Services

30 October 2018
SYDNEY

North Sydney Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

progressive *vibrant* diverse



SECTION III

North Sydney 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 2	Independent Auditors Report	5
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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.

North Sydney 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	2,699	405	–	(2,294)
Administration	32,653	12,217	57	(20,379)
Public order and safety				
Fire service levy, fire protection, emergency services	1,392	–	–	(1,392)
Beach control	–	–	–	–
Enforcement of local government regulations	5,407	7,707	–	2,300
Animal control	39	6	–	(33)
Other	–	–	–	–
Total public order and safety	6,838	7,713	–	875
Health	1,806	244	–	(1,562)
Environment				
Noxious plants and insect/vermin control	157	–	–	(157)
Other environmental protection	3,027	2,426	–	(601)
Solid waste management	12,120	14,613	–	2,493
Street cleaning	2,389	17	–	(2,372)
Drainage	–	–	–	–
Stormwater management	2,317	561	–	(1,756)
Total environment	20,010	17,617	–	(2,393)
Community services and education				
Administration and education	716	22	–	(694)
Social protection (welfare)	538	–	–	(538)
Aged persons and disabled	309	62	–	(247)
Children's services	1,202	791	187	(224)
Total community services and education	2,765	875	187	(1,703)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	284	–	–	(284)
Street lighting	952	199	–	(753)
Town planning	5,276	1,121	–	(4,155)
Other community amenities	273	1,031	–	758
Total housing and community amenities	6,785	2,351	–	(4,434)

North Sydney 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	3,159	268	209	(2,682)
Museums	446	16	–	(430)
Art galleries	–	–	–	–
Community centres and halls	908	98	210	(600)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	540	3	–	(537)
Sporting grounds and venues	3,288	412	–	(2,876)
Swimming pools	3,508	2,601	117	(790)
Parks and gardens (lakes)	6,296	77	20	(6,199)
Other sport and recreation	1,547	30	5,048	3,531
Total recreation and culture	19,692	3,505	5,604	(10,583)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	–	–	–	–
Transport and communication				
Urban roads (UR) – local	1,463	72	160	(1,231)
Urban roads – regional	91	491	–	400
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	2,136	12,727	–	10,591
Footpaths	1,192	483	1	(708)
Aerodromes	–	–	–	–
Other transport and communication	2,087	1,389	2,616	1,918
Total transport and communication	6,969	15,162	2,777	10,970
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	7,094	10,922	–	3,828
Total economic affairs	7,094	10,922	–	3,828
Totals – functions	107,311	71,011	8,625	(27,675)
General purpose revenues ⁽¹⁾	–	43,490	–	43,490
Share of interests – joint ventures and associates using the equity method	20	–	–	(20)
NET OPERATING RESULT ⁽²⁾	107,331	114,501	8,625	15,795

(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

North Sydney 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	43,311	41,197
Plus or minus adjustments ⁽²⁾	b	491	48
Notional general income	$c = (a + b)$	43,802	41,245
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	5.50%
Or rate peg percentage	e	2.30%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	$h = d \times (c - g)$	–	2,268
Or plus rate peg amount	$i = c \times e$	1,007	–
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	–	–
Sub-total	$k = (c + g + h + i + j)$	44,809	43,513
Plus (or minus) last year's carry forward total	l	201	(1)
Less valuation objections claimed in the previous year	m	–	–
Sub-total	$n = (l + m)$	201	(1)
Total permissible income	$o = k + n$	45,011	43,512
Less notional general income yield	p	45,266	43,311
Catch-up or (excess) result	$q = o - p$	(255)	201
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	8	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	$t = q + r - s$	(247)	201

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

North Sydney Council

To the Councillors of North Sydney Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of North Sydney 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.



Weini Liao
Director, Financial Audit Services

30 October 2018
SYDNEY

North Sydney 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	72	72	2,299	2,384	128,142	204,841	77%	18%	4%	1%	0%
	Sub-total	72	72	2,299	2,384	128,142	204,841	77.0%	18.0%	4.0%	1.0%	0.0%
Other structures	Other structures	–	–	–	–	2,175	2,217	100%	0%	0%	0%	0%
	Sub-total	–	–	–	–	2,175	2,217	100.0%	0.0%	0.0%	0.0%	0.0%
Roads	Sealed roads	4,683	4,683	1,044	1,002	156,637	229,372	45%	35%	15%	3%	2%
	Footpaths	505	505	1,827	1,925	58,029	91,425	23%	18%	53%	5%	1%
	Other road assets	826	826	45	107	55,385	93,871	11%	52%	31%	5%	1%
	Sub-total	6,014	6,014	2,916	3,034	270,052	414,668	32.5%	35.1%	27.0%	3.9%	1.6%

North Sydney 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 drainage	Stormwater drainage	25,023	25,023	513	660	127,990	196,433	43%	2%	40%	2%	13%
	Sub-total	25,023	25,023	513	660	127,990	196,433	43.0%	2.0%	40.0%	2.0%	13.0%
Open space/recreational assets	Swimming pools	–	–	886	867	12,863	22,471	59%	41%	0%	0%	0%
	Other	7,907	7,907	853	929	3,784	12,310	19%	5%	7%	2%	67%
	Sub-total	7,907	7,907	1,739	1,796	16,647	34,781	44.8%	28.3%	2.5%	0.7%	23.7%
Other infrastructure assets	Other	5,615	5,615	1,042	1,309	120,992	222,387	8%	43%	37%	9%	3%
	Sub-total	5,615	5,615	1,042	1,309	120,992	222,387	8.0%	43.0%	37.0%	9.0%	3.0%
Land Improvements depreciable	Land Improvements – depreciable	416	416	–	–	18,508	22,103	89%	4%	3%	2%	2%
	Sub-total	416	416	–	–	18,508	22,103	89.0%	4.0%	3.0%	2.0%	2.0%
TOTAL – ALL ASSETS		45,047	45,047	8,509	9,183	684,506	1,097,430	39.4%	26.7%	25.7%	3.9%	4.3%

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

North Sydney 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 ⁽¹⁾					
Asset renewals ⁽²⁾	<u>29,448</u>	199.63%	233.52%	322.62%	>= 100%
Depreciation, amortisation and impairment	<u>14,751</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard ⁽³⁾	<u>45,047</u>	6.58%	0.00%	0.00%	< 2.00%
Net carrying amount of infrastructure assets	<u>684,506</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>9,183</u>	107.92%	99.53%	106.80%	> 100%
Required asset maintenance	<u>8,509</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>45,047</u>	4.10%	0.00%	0.00%	
Gross replacement cost	<u>1,097,430</u>				

Notes

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

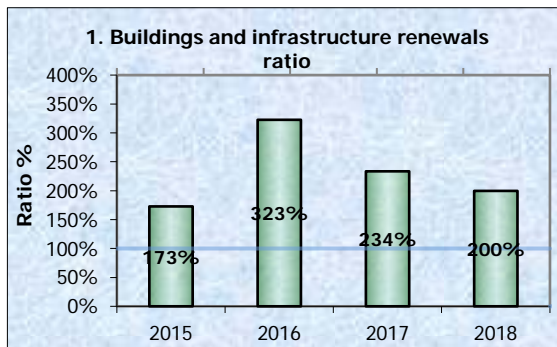
(1) Excludes Work In Progress (WIP)

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

(3) As there is no standard industry practice for identifying the estimated cost to bring assets to a satisfactory standard, Council has elected to use the estimated cost of fully renewing infrastructure assets assessed to be in category 5 (very poor condition) as the estimated cost to bring assets to a satisfactory standard.

North Sydney 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.

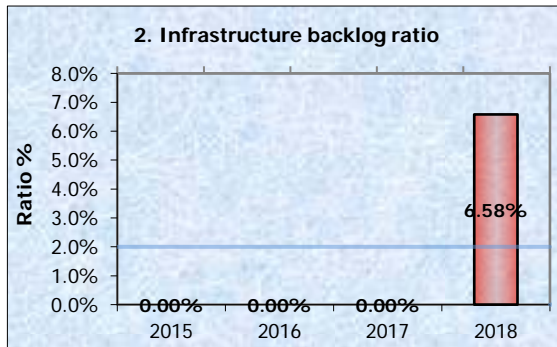
Commentary on 2017/18 result

2017/18 Ratio 199.63%

This ratio again exceeded the benchmark, as has been the case since 2013/14. This is a reflection of Council's commitment to ensuring that sufficient funds are allocated to the replacement and renewal of our infrastructure to offset the rate at which they are depreciating.

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.

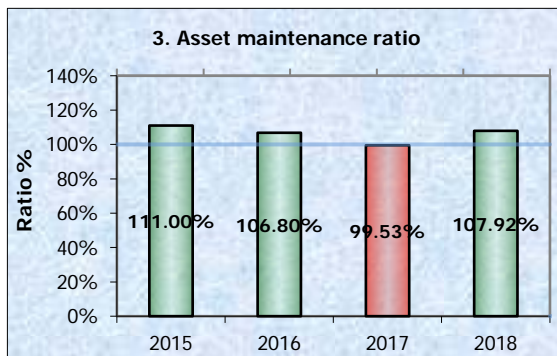
Commentary on 2017/18 result

2017/18 Ratio 6.58%

During 2017/18 condition audits were conducted on a number of infrastructure assets categories. These revealed that the condition of some assets was worse than previously thought. The backlog was estimated to be \$45M, which represents 6.6% of the net carrying amount of our infrastructure, above the benchmark of 2%.

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.

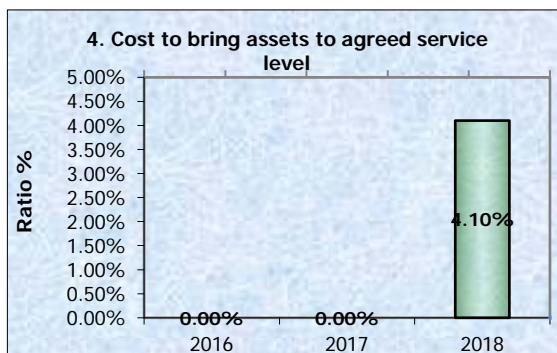
Commentary on 2017/18 result

2017/18 Ratio 107.92%

After falling slightly below the benchmark in 2016/17, this ratio exceeded the benchmark in 2017/18 as had been the case from 2013/14 to 2015/16. This is an indication that Council has been allocating sufficient funds to the maintenance of its infrastructure assets to prevent the infrastructure backlog from growing.

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 4.10%

As stated above, audits undertaken during the year revealed the condition some infrastructure to be worse than previously thought. The cost to bring those assets to the agreed service level was estimated to be \$45M, which is 4.1% of the gross replacement cost of our infrastructure.



progressive *vibrant* diverse