



HORNSBY SHIRE COUNCIL

General purpose and special purpose
Financial statements
and associated special schedules

30 June 2018



Hornsby Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018



Hornsby Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

296 Peats Ferry Road
Hornsby NSW 2077

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

Hornsby Shire 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.

Hornsby Shire 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:

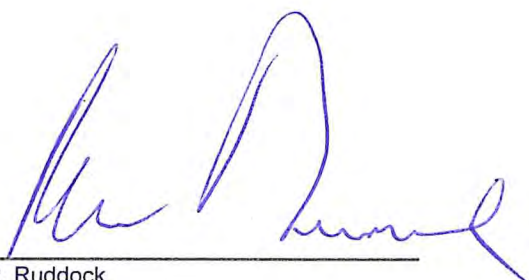
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

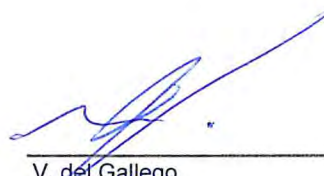
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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

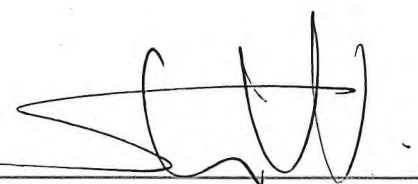
Signed in accordance with a resolution of Council made on 12 September 2018.



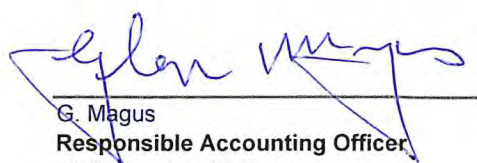
P. Ruddock
Mayor
12 September 2018



V. del Gallego
Councillor
12 September 2018



S. Head
General Manager
12 September 2018



G. Magus
Responsible Accounting Officer
12 September 2018

Hornsby Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
85,865	Rates and annual charges	3a	88,285	87,833
13,543	User charges and fees	3b	13,958	14,643
3,636	Interest and investment revenue	3c	4,858	4,652
6,838	Other revenues	3d	7,629	8,169
11,407	Grants and contributions provided for operating purposes	3e,f	11,574	11,901
11,433	Grants and contributions provided for capital purposes	3e,f	106,006	18,157
Other income:				
–	Net gains from the disposal of assets	5	–	16,896
–	Fair value increment on investment property	10	190	–
132,722	Total income from continuing operations		232,500	162,251
Expenses from continuing operations				
47,262	Employee benefits and on-costs	4a	43,818	45,498
214	Borrowing costs	4b	213	274
42,167	Materials and contracts	4c	42,710	43,452
17,603	Depreciation and amortisation	4d	17,944	16,885
12,881	Other expenses	4e	14,970	12,369
–	Net losses from the disposal of assets	5	1,035	–
120,127	Total expenses from continuing operations		120,690	118,478
12,595	Net operating result for the year		111,810	43,773
12,595	Net operating result attributable to Council		111,810	43,773
1,162	Net operating result for the year before grants and contributions provided for capital purposes		5,804	25,616

Hornsby Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

<i>*Refer to Note 14 for disclosure of restated amounts</i>			
\$ '000	Notes	2018	Restated 2017
Net operating result for the year (as per Income Statement)		111,810	43,773
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	120,944	47,817
Recognition of RFS Assets	9a	2,332	–
Impairment (loss) relating to IPP&E	9a	(800)	–
Total items which will not be reclassified subsequently to the operating result		122,476	47,817
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		122,476	47,817
Total comprehensive income for the year		234,286	91,590

Hornsby Shire Council

Statement of Financial Position
as at 30 June 2018

Refer to Note 14 for disclosure of restated amounts			Actual	Restated
\$ '000	Notes		2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	6a		146,506	30,657
Investments	6b		100,118	131,500
Receivables	7		6,211	7,182
Inventories	8		190	169
Other	8		625	–
Total current assets			253,650	169,508
Non-current assets				
Investments	6b		26,500	13,000
Receivables	7		245	192
Infrastructure, property, plant and equipment	9		1,586,769	1,459,364
Investment property	10		25,285	25,095
Intangible assets	11		1,556	1,683
Total non-current assets			1,640,355	1,499,334
TOTAL ASSETS			1,894,005	1,668,842
LIABILITIES				
Current liabilities				
Payables	12		9,035	9,912
Income received in advance	12		1,161	1,114
Borrowings	12		856	1,081
Provisions	13		32,183	39,152
Total current liabilities			43,235	51,259
Non-current liabilities				
Payables	12		–	12
Borrowings	12		1,461	2,316
Provisions	13		283	515
Total non-current liabilities			1,744	2,843
TOTAL LIABILITIES			44,979	54,102
Net assets			1,849,026	1,614,740
EQUITY				
Accumulated surplus	14		1,211,181	1,098,962
Revaluation reserves	14		637,845	515,778
Total equity			1,849,026	1,614,740

Hornsby Shire Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	Restated* IPP&E	Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
Opening balance		1,098,962	515,778	1,614,740	1,050,581	472,569	1,523,150
Net operating result for the year		111,810	–	111,810	43,773	–	43,773
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9a	–	120,944	120,944	–	47,817	47,817
– Recognition of RFS assets		–	2,332	2,332	–	–	–
– Impairment (loss) relating to IPP&E	9a	–	(800)	(800)	–	–	–
Other comprehensive income		–	122,476	122,476	–	47,817	47,817
Total comprehensive income		111,810	122,476	234,286	43,773	47,817	91,590
Transfers between equity items		409	(409)	–	4,608	(4,608)	–
Equity – balance at end of the reporting period		1,211,181	637,845	1,849,026	1,098,962	515,778	1,614,740

*Refer to Note 14 for disclosure of restated amounts

Hornsby Shire 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				
<u>Receipts:</u>				
85,901	Rates and annual charges		88,447	87,971
13,555	User charges and fees		14,134	15,533
3,724	Investment and interest revenue received		5,006	4,251
23,218	Grants and contributions		118,699	31,608
–	Bonds, deposits and retention amounts received		223	–
6,955	Other		14,896	17,465
<u>Payments:</u>				
(48,198)	Employee benefits and on-costs		(43,894)	(44,990)
(56,810)	Materials and contracts		(47,372)	(47,635)
(215)	Borrowing costs		(214)	(275)
–	Bonds, deposits and retention amounts refunded		–	(81)
(12,866)	Other		(27,097)	(6,420)
<u>15,264</u>	Net cash provided (or used in) operating activities	15b	<u>122,828</u>	<u>57,427</u>
Cash flows from investing activities				
<u>Receipts:</u>				
–	Sale of investment securities		178,456	195,000
800	Sale of infrastructure, property, plant and equipment		777	24,976
<u>Payments:</u>				
–	Purchase of investment securities		(160,575)	(232,500)
(29,280)	Purchase of infrastructure, property, plant and equipment		(26,889)	(32,808)
<u>(28,480)</u>	Net cash provided (or used in) investing activities		<u>(8,231)</u>	<u>(45,332)</u>
Cash flows from financing activities				
<u>Receipts:</u>				
Nil				
<u>Payments:</u>				
(1,081)	Repayment of borrowings and advances		(1,080)	(2,135)
<u>(1,081)</u>	Net cash flow provided (used in) financing activities		<u>(1,080)</u>	<u>(2,135)</u>
(14,297)	Net increase/(decrease) in cash and cash equivalents		113,517	9,960
30,657	Plus: cash and cash equivalents – beginning of year	15a	30,657	20,697
<u>16,360</u>	Cash and cash equivalents – end of the year	15a	<u>144,174</u>	<u>30,657</u>
Additional Information:				
plus:	Investments on hand – end of year	6b	126,618	144,500
	Total cash, cash equivalents and investments		<u>270,792</u>	<u>175,157</u>

Hornsby Shire Council

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

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n/a – not applicable

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 12 September 2018.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 21 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 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

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

- (i) estimated fair values of investment properties –refer Note 10,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (iii) employee benefit provisions – refer Note 13.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

Cash and other assets of general purpose operations have been included as part of the Consolidated Fund:

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 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.

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

- AASB 9 *Financial Instruments*

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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 does not expect that the value of leases that will be included in the Statement of Financial Position will be material.

Hornsby Shire 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
General Managers Division	40	69	1,531	1,563	(1,491)	(1,494)	–	–	–	–
Corporate Support	89,641	13,521	30,410	30,436	59,231	(16,915)	90,009	–	93,810	260,683
Infrastructure & Recreation	20,050	16,615	37,137	32,603	(17,087)	(15,988)	8,881	3,197	1,712,913	1,321,772
Environment & Human Services	33,567	35,435	42,536	44,343	(8,969)	(8,908)	2,268	1,913	84,156	85,979
Planning	18,828	26,198	9,076	9,533	9,752	16,665	–	57	794	408
General Purpose Income	70,374	70,413	–	–	70,374	70,413	5,246	7,123	–	–
Total functions and activities	232,500	162,251	120,690	118,478	111,810	43,773	106,404	12,290	1,894,005	1,668,842

Hornsby Shire 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:

General Managers Division

Costs relating to the General Manager, risk and internal audit.

Corporate Support

Revenue and costs relating to administration, finance, human resources, information technology, property management, fleet management, records management and customer service.

Infrastructure & Recreation

Revenue and costs relating to roads, bridges, footpaths, stormwater management, emergency services, parks & landscape, engineering services, swimming centres and sports facilities.

Environment & Human Services

Revenue and costs relating to bushland care and restoration, water catchment remediation, community services, , waste management, aged and disabled services, youth services and libraries.

Planning

Revenue and costs relating to town planning, development assessments, Section 94 Development Contributions, subdivisions, companion animals management and compliance and certification services..

Hornsby Shire 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	54,201	52,413
Farmland	573	561
Business	6,452	6,439
Major shopping centre	969	1,048
Total ordinary rates	62,195	60,461
Special rates		
Catchment remediation rate	2,730	2,698
Total special rates	2,730	2,698
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	23,274	24,589
Section 611 charges	86	85
Total annual charges	23,360	24,674
<u>TOTAL RATES AND ANNUAL CHARGES</u>	<u>88,285</u>	<u>87,833</u>

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.

Hornsby Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Waste management services (non-domestic)	1,793	1,465
Sullage	17	12
Total specific user charges	1,810	1,477
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	618	651
Planning and building regulation	3,347	4,261
Registration fees	160	37
Total fees and charges – statutory/regulatory	4,125	4,949
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Community centres	718	879
Indoor sports centre stadium – admission fees	632	635
Library fees and charges	109	124
Other hire fees	–	37
Park and oval hire fees	1,113	1,101
Restoration charges	954	741
Swimming centres	4,128	4,117
Tennis/netball hire fees	196	191
Other	173	392
Total fees and charges – other	8,023	8,217
TOTAL USER CHARGES AND FEES	13,958	14,643

Accounting policy for user charges and fees

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

Hornsby Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	128	147
– Cash and investments	4,730	4,505
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>4,858</u>	<u>4,652</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	128	147
General Council cash and investments	2,789	2,667
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	1,800	1,810
Catchments remediation	141	28
<u>Total interest and investment revenue recognised</u>	<u>4,858</u>	<u>4,652</u>

Accounting policy for interest and investment revenue

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

Hornsby Shire 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	855	759
Rental income – other council properties		2,113	2,127
Ex gratia rates		15	15
Fines – parking		2,105	2,270
Legal fees recovery – rates and charges (extra charges)		112	154
Legal fees recovery – planning		18	6
Legal fees recovery – other		–	1
Bushfire fund income		1	4
Car park management		152	86
Commissions and agency fees		7	8
Compensation for drainage easement		100	–
Diesel rebate		88	–
Florence mall income		80	89
Home modification		148	141
Income from road closure		6	3
Insurance claim recoveries, rebates and incentives		178	69
Prosecutions and infringements		309	410
Provision of services to neighbouring council		278	518
Recycling income (non-domestic)		305	876
Sales – general		565	535
Street furniture advertising		29	29
Vehicular crossing income		18	16
Other		147	53
<u>TOTAL OTHER REVENUE</u>		<u>7,629</u>	<u>8,169</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.

Hornsby Shire 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	1,548	2,987	–	–
Financial assistance – local roads component	762	1,317	–	–
Payment in advance – future year allocation				
Financial assistance – general component	1,597	1,544	–	–
Financial assistance – local roads component	746	676	–	–
Other				
Pensioners' rates subsidies – general component	594	599	–	–
Total general purpose	5,247	7,123	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	220	221	–	–
Aged and disabled	626	621	–	–
Bushfire and emergency services	2,675	720	–	81
Bushland	183	288	–	–
Child care	–	(31)	–	–
Community care	(33)	(76)	–	–
Community centres	–	–	–	20
Economic development	–	58	–	–
Employment and training programs	9	8	–	–
Environmental protection	–	26	–	–
Library	370	367	–	–
Parks and gardens	–	–	40	25
Street lighting	671	–	–	–
Transport (roads to recovery)	–	–	100	–
Transport (other roads and bridges funding)	535	571	5,188	1,893
Youth services	–	3	–	–
Waste and recycling	164	360	19	12
Stronger Communities funding - Hornsby Quarry	–	–	50,000	–
Stronger Communities funding - Westleigh	–	–	40,000	–
Other	106	–	284	–
Total specific purpose	5,526	3,136	95,631	2,031
Total grants	10,773	10,259	95,631	2,031
Grant revenue is attributable to:				
– Commonwealth funding	4,822	3,735	1,463	1,344
– State funding	5,951	6,524	94,168	687
	10,773	10,259	95,631	2,031

Hornsby Shire 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 7.11 – contributions towards amenities/services		–	–	10,287	15,588
Total developer contributions – cash		–	–	10,287	15,588
Non-cash contributions					
Nil					
Total developer contributions	22	–	–	10,287	15,588
Other contributions:					
Cash contributions					
Bushfire services		–	21	–	17
Community services		–	–	–	(6)
Community facilities		–	(3)	–	–
Dedications – subdivisions (other than by s7.11)		–	–	82	406
Employee vehicle contributions		462	435	–	–
Environment		99	22	–	–
Fire and emergency services levy initiative		–	190	–	–
Occupational health and safety incentive		203	246	–	–
Recreation and culture		–	22	–	–
Roads and bridges		3	1	6	121
RMS contributions (regional roads, block grant)		–	500	–	–
Suburban planning		–	208	–	–
Other		34	–	–	–
Total other contributions – cash		801	1,642	88	538
Non-cash contributions					
Nil					
Total other contributions		801	1,642	88	538
Total contributions		801	1,642	10,375	16,126
TOTAL GRANTS AND CONTRIBUTIONS		11,574	11,901	106,006	18,157

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.

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.

Hornsby Shire 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	3,799	2,182
Add: operating grants recognised in the current period but not yet spent	2,519	5,328
Less: operating grants recognised in a previous reporting period now spent	(2,784)	(3,711)
Unexpended and held as restricted assets (operating grants)	3,534	3,799
Capital grants		
Unexpended at the close of the previous reporting period	899	2,260
Add: capital grants recognised in the current period but not yet spent	958	236
Less: capital grants recognised in a previous reporting period now spent	(140)	(1,597)
Unexpended and held as restricted assets (capital grants)	1,717	899
Contributions		
Unexpended at the close of the previous reporting period	70,510	61,020
Add: contributions recognised in the current period but not yet spent*	15,009	22,158
<i>*Includes interest earned on contributions during the year (Note 22)</i>		
Less: contributions recognised in a previous reporting period now spent	(10,065)	(12,668)
Unexpended and held as restricted assets (contributions)	75,454	70,510

Hornsby Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	39,162	40,355
Travel expenses	38	18
Employee leave entitlements (ELE)	482	1,477
Superannuation	4,524	4,393
Workers' compensation insurance	465	988
Fringe benefit tax (FBT)	121	118
Training costs (other than salaries and wages)	390	335
Other	421	281
Total employee costs	45,603	47,965
Less: capitalised costs	(1,785)	(2,467)
TOTAL EMPLOYEE COSTS EXPENSED	43,818	45,498
Number of 'full-time equivalent' employees (FTE) at year end	472	485

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans

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

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

a. Funding arrangements and methods used to determine the entity's rate of contributions and any minimum funding requirements.

Council participates in the pooled employer sponsored defined benefits of the Local Government Superannuation Scheme. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

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

The additional lump sum contribution for each pooled employer is a share of the total additional contributions of \$40m per annum from 1 July 2017 for four years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities.

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

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

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

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of the 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.

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

(i) wind-up of the plan

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

(ii) the entity's withdrawal from the plan

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

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

(i) The fact that the plan is a defined benefit plan; we confirm the plan is a defined benefit plan;

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

(iii) The expected contributions to the plan for the next annual reporting period is \$1.566m;

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

(b) Borrowing costs

2018

2017

(i) Interest bearing liability costs

Interest on loans

213

274

Total interest bearing liability costs expensed

213

274

(ii) Other borrowing costs

Nil

TOTAL BORROWING COSTS EXPENSED

213

274

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.

Hornsby Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	3,012	2,561
Contractor and consultancy costs		
– Animal pound service	6	11
– Building maintenance	1,172	944
– Bush regeneration	867	709
– Community centres	144	255
– Computer support	2,464	3,070
– Consultants	1,762	2,377
– Contractor and agency fees	1,238	521
– Contracts – bushfire hazard reduction and mitigation	131	142
– Contracts – electrical	578	419
– Contracts – environmental protection	23	131
– Contracts – grass cutting	553	439
– Contracts – plumbing	486	315
– Contracts – property management	190	115
– Contracts – RFS equipment maintenance	86	167
– Contracts – tree work	571	635
– Drainage maintenance	441	600
– Election expense	685	–
– External plant and equipment hire	276	202
– Footpath maintenance	223	193
– Foreshore facilities	91	252
– Garbage collection, tipping and recycling	19,411	21,950
– Home modification service	126	105
– Litter control	622	356
– Maintenance of parks	988	1,123
– Mechanical services	462	472
– Property cleaning	463	417
– Road maintenance	3,181	3,045
– Stormwater asset maintenance	710	613
Auditors remuneration ⁽²⁾	125	114
Legal expenses:		
– Legal expenses: planning and development	299	431
– Legal expenses: other	685	505
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	291	205
Events management	113	6
Other	235	52
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>42,710</u>	<u>43,452</u>

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Hornsby Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts (continued)		
1. Operating lease payments are attributable to:		
Computers	291	205
	291	205
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	125	114
Remuneration for audit and other assurance services	125	114
Total Auditor-General remuneration	125	114

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,096	1,101
Office equipment		256	215
Furniture and fittings		69	78
Land improvements (depreciable)		1,551	1,252
Infrastructure:			
– Buildings – non-specialised		1,978	2,081
– Buildings – specialised		1,550	1,849
– Other structures		1,037	815
– Roads		5,032	4,617
– Bridges		290	58
– Footpaths		341	336
– Stormwater drainage		3,310	3,135
– Water supply network		4	2
– Swimming pools		525	507
Other assets:			
– Catchment remediation assets		293	281
– Library books		485	471
Intangible assets	11	127	87
Total depreciation and amortisation costs		17,944	16,885
Impairment / revaluation decrement of IPP&E			
Nil			
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		17,944	16,885

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate the cost of assets over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 11 for intangible assets.

Impairment of non-financial assets

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

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

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

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	368	347
Bad and doubtful debts	(25)	60
Bank charges and cash collection expenses	408	383
Catering	188	174
Contributions/levies to other levels of government		
– Department of planning levy	268	263
– Emergency services levy (includes FRNSW, SES, and RFS levies)	264	265
– NSW fire brigade levy	1,520	1,475
– NSW rural fire service levy	639	642
– NSW state revenue infringement processing fees	227	198
Councillor expenses – mayoral fee	65	58
Councillor expenses – councillors' fees	240	245
Councillors' expenses (incl. mayor) – other (excluding fees above)	31	–
Donations, contributions and assistance to other organisations (Section 356)	40	54
Electricity and heating	1,193	1,245
Insurance	1,236	1,398
Licences and registration	315	345
Postage	263	300
Printing and stationery	478	503
Property managers fees	31	70
Street lighting	2,430	2,504
Subscriptions and publications	355	301
Subscriptions to local government publications	61	58
Telephone and communications	297	382
Valuation fees	265	306
Water and sewerage	850	551
Contribution to PCYC (Waitara Park)	2,867	–
Other	96	242
<u>TOTAL OTHER EXPENSES</u>	<u>14,970</u>	<u>12,369</u>

Accounting policy for other expenses

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

Hornsby Shire 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		–	24,080
Less: carrying amount of property assets sold/written off		(479)	(7,550)
Net gain/(loss) on disposal		(479)	16,530
Plant and equipment	9		
Proceeds from disposal – plant and equipment		777	896
Less: carrying amount of plant and equipment assets sold/written off		(485)	(525)
Net gain/(loss) on disposal		292	371
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(848)	–
Net gain/(loss) on disposal		(848)	–
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		178,456	195,000
Less: carrying amount of financial assets sold/redeemed/matured		(178,456)	(195,000)
Net gain/(loss) on disposal		–	–
Intangible Assets			
Less: carrying amount of Intangible Assets assets sold/written off		–	(5)
Net gain/(loss) on disposal		–	(5)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,035)	16,896

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	93,297	5,837
Cash-equivalent assets		
– Deposits at call	30,644	21,702
– Managed funds	22,565	–
– Short-term deposits	–	3,118
Total cash and cash equivalents	146,506	30,657

Accounting policy for cash and cash equivalents

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

Hornsby Shire Council

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

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'Loans and receivables'	100,118	26,500	131,500	13,000
Total investments	100,118	26,500	131,500	13,000
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>246,624</u>	<u>26,500</u>	<u>162,157</u>	<u>13,000</u>
Loans and receivables				
Long term deposits	100,118	26,500	131,500	13,000
Total	100,118	26,500	131,500	13,000

Accounting policy for investments

Classification

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

(a) Loans and receivables

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 also 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.

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.

Hornsby Shire 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	246,624	26,500	162,157	13,000
attributable to:				
External restrictions (refer below)	161,510	26,500	72,496	13,000
Internal restrictions (refer below)	75,821	–	69,951	–
Unrestricted	9,293	–	19,710	–
	246,624	26,500	162,157	13,000

\$ '000	2018	2017
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Details of restrictions

External restrictions – other

Developer contributions – general	75,454	70,510
RMS contributions	3,221	–
Specific purpose unexpended grants	5,251	3,591
Domestic waste management	7,378	4,760
Storey park redevelopment	2,867	3,021
Stronger Communities Funding - Hornsby Quarry	50,000	–
Stronger Communities Funding - Westleigh	40,000	–
Other	3,839	3,614
External restrictions – other	188,010	85,496
Total external restrictions	188,010	85,496

Internal restrictions

Employees leave entitlements	10,677	8,871
Asset maintenance and renewal	1,848	1,179
Buildings – Wallarobba	499	499
Civil works – SRV	570	1,348
Community centres	1,888	2,216
Council strategic capital projects	18,120	17,183
Hornsby aquatic centre	50	101
Hornsby quarry - North Connex	3,106	5,504
Hornsby quarry remediation	29,062	29,492
LED street light upgrade	829	–
Proceeds from asset sales (Beecroft)	2,285	2,781
S7.11 contributions gap	5,606	–
Other	1,281	777
Total internal restrictions	75,821	69,951
TOTAL RESTRICTIONS	263,831	155,447

Hornsby Shire 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	1,262	245	1,333	192
Interest and extra charges	139	–	188	–
User charges and fees	170	–	200	–
Accrued revenues				
– Interest on investments	1,395	–	1,494	–
– Other income accruals	408	–	154	–
Government grants and subsidies	638	–	1,106	–
Net GST receivable	945	–	1,810	–
Facility hire	142	–	198	–
Fines and penalties	64	–	42	–
Licencing	68	–	59	–
Property rentals	395	–	114	–
Restorations	228	–	276	–
Sullage	15	–	18	–
Workers compensation claims	–	–	2	–
Other debtors	442	–	329	–
Total	6,311	245	7,323	192
Less: provision for impairment				
Other debtors	(100)	–	(141)	–
Total provision for impairment – receivables	(100)	–	(141)	–
<u>TOTAL NET RECEIVABLES</u>	<u>6,211</u>	<u>245</u>	<u>7,182</u>	<u>192</u>
Externally restricted receivables				
Domestic waste management	410	–	484	–
Other				
Catchment remediation rate	59	–	72	–
Special purpose grants	638	–	1,106	–
Total external restrictions	1,107	–	1,662	–
Internally restricted receivables				
Nil				
Unrestricted receivables	5,104	245	5,520	192
<u>TOTAL NET RECEIVABLES</u>	<u>6,211</u>	<u>245</u>	<u>7,182</u>	<u>192</u>
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			141	92
+ new provisions recognised during the year			79	66
– amounts already provided for and written off this year			(11)	(10)
– amounts provided for but recovered during the year			(109)	(7)
Balance at the end of the year			100	141

Hornsby Shire 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.

Hornsby Shire 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				
Stores and materials	190	–	169	–
Total inventories at cost	190	–	169	–
(ii) Inventories at net realisable value (NRV)				
Nil				
TOTAL INVENTORIES	190	–	169	–
(b) Other assets				
Prepaid expenses	625	–	–	–
TOTAL OTHER ASSETS	625	–	–	–

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 must be 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.

Prepaid Expenses

Prepaid expenses are recognised on an accruals basis when Council pays for goods or services that it has not yet received.

Hornsby Shire Council

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

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

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss recognised in equity (ARR)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	15,262	–	15,262	13,409	8,481	–	–	–	(17,173)	–	–	–	19,979	–	19,979
Plant and equipment	15,545	10,760	4,785	–	4,247	(485)	(1,096)	–	–	–	–	–	19,586	12,135	7,451
Office equipment	2,569	1,823	746	–	120	–	(256)	–	67	–	–	–	2,756	2,079	677
Furniture and fittings	1,750	1,380	370	–	–	–	(69)	–	36	–	–	–	1,787	1,450	337
Land:															
– Operational land	101,204	–	101,204	–	–	–	–	–	–	841	–	47,372	149,417	–	149,417
– Community land	349,125	–	349,125	–	82	–	–	–	–	(841)	–	–	348,366	–	348,366
Land improvements – depreciable	69,806	36,945	32,861	–	–	–	(1,551)	–	4,827	178	–	–	74,814	38,499	36,315
Infrastructure:															
– Buildings – non-specialised	81,311	33,780	47,531	–	–	(131)	(1,978)	–	471	–	–	9,268	91,115	35,954	55,161
– Buildings – specialised	75,045	32,554	42,491	–	–	(347)	(1,550)	(800)	2,095	(1,955)	–	6,821	80,683	33,928	46,755
– Other structures	22,148	8,005	14,143	–	–	–	(1,037)	–	2,005	1,955	–	–	27,122	10,056	17,066
– Roads	349,962	51,599	298,363	–	–	(484)	(5,032)	–	3,252	(178)	–	24,539	378,903	58,443	320,460
– Bridges	18,351	2,404	15,947	–	–	–	(290)	–	1,356	–	(1,933)	–	17,103	2,023	15,080
– Footpaths	33,801	13,990	19,811	–	–	(46)	(341)	–	586	–	–	4,036	41,443	17,397	24,046
– Bulk earthworks (non-depreciable)	77,772	–	77,772	–	–	–	–	–	–	–	–	1,687	79,459	–	79,459
– Stormwater drainage	495,489	101,680	393,809	–	–	(318)	(3,310)	–	2,155	–	–	31,535	532,515	108,644	423,871
– Water supply network	128	90	38	–	–	–	(4)	–	–	–	–	–	128	94	34
– Swimming pools	33,423	2,965	30,458	–	–	–	(525)	–	70	–	(2,668)	–	30,613	3,278	27,335
Other assets:															
– Catchment remediation assets	14,551	1,293	13,258	–	–	–	(293)	–	253	–	–	287	15,125	1,620	13,505
– Library books	2,515	1,125	1,390	–	550	–	(485)	–	–	–	–	–	2,610	1,155	1,455
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,759,757	300,393	1,459,364	13,409	13,480	(1,811)	(17,817)	(800)	–	–	(4,601)	125,545	1,913,524	326,755	1,586,769

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

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 5 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 Structures	Years
Office equipment	10	Pontoons, wharves, seawalls	10 to 80
Furniture & fittings	10	Park shelters	10 to 50
Vehicles	7		
All other plant and equipment	7 to 25	Stormwater Assets	
		Stormwater drainage	150
Library books		Catchment remediation devices	50
All	5		
		Buildings	
Software and Licences (Note 11)		Structure	35 to 125
Software	5 to 15	Internal finishes, fire & security	50 to 80
Licences (1 year +)	Expiry of licence	Roof	80 to 100
		Electrical, mechanical & transportation	25
Transportation assets			
Sealed roads: surface	10 to 30	Land Improvements	
Sealed roads: base	100	Playground & sports equipment	10 to 50
Sealed roads: sub-base	non-depreciable	Picnic furniture	10 to 20
Unsealed roads	5	Landscaping	10 to 80
Bridges	30 to 80	Service equipment	10 to 80
Traffic Facilities	20 to 100	Trees and gardening	non-depreciable
Kerb, gutter and footpaths	100	Turf	non-depreciable
Bulk earthworks	non-depreciable	Sports fields	non-depreciable

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.

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Land under roads

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads. Council has no land under roads acquired after 1 July 2008.

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

Council recognises rural fire service assets including land, buildings, plant and vehicles.

Note 9(b). Infrastructure, property, plant and equipment – current year impairments

\$ '000	2018	2017
(i) Impairment losses recognised direct to equity (ARR):		
Impairment of buildings at Storey Park that will be demolished when construction of new community facilities commences in the year ending 30 June 2019	(800)	–
Total impairment losses	(800)	–
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	(800)	–

Hornsby Shire Council

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

Note 10. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>25,285</u>	<u>25,095</u>
Reconciliation of annual movement:		
Opening balance	25,095	–
– Net gain/(loss) from fair value adjustments	190	–
– Transfers from/(to) I,PP&E (Note 9)	–	25,095
CLOSING BALANCE – INVESTMENT PROPERTY	25,285	25,095

(b) Valuation basis

The basis of valuation of investment properties 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:
Scott Fullarton Valuations Pty Ltd

(c) 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	773	682
Later than 1 year but less than 5 years	3,238	3,277
Later than 5 years	4,913	5,646
Total minimum lease payments receivable	8,924	9,605

(d) Amounts recognised in profit or loss for investment property

Rental income from investment property:		
– Minimum lease payments	778	679
– Other income	77	80
Direct operating expenses on investment property:		
– that generated rental income	(77)	(80)
Net revenue contribution from investment property	778	679
plus:		
Fair value movement for year	190	–
Total income attributable to investment property	968	679

Accounting policy for investment property

Investment property is held for long-term rental yields and/or capital appreciation and is not occupied by 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.

Hornsby Shire Council

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

Note 11. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	1,770	8,608
Accumulated amortisation (1/7)	(87)	(8,604)
Net book value – opening balance	1,683	4
Movements for the year		
– Purchases	–	1,771
– Amortisation charges	(127)	(87)
– Gross book value written off	–	(8,609)
– Accumulated amortisation charges written off	–	8,604
Closing values:		
Gross book value (30/6)	1,770	1,770
Accumulated amortisation (30/6)	(214)	(87)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>1,556</u>	<u>1,683</u>

¹ The net book value of intangible assets represent:

Software	1,556	1,683
	1,556	1,683

Accounting policy for intangible assets

IT development and software

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

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

Hornsby Shire Council

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

Note 12. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	3,932	–	4,848	–
Accrued expenses:				
– Borrowings	2	–	3	–
– Salaries and wages	818	–	794	–
– Other expenditure accruals	3,579	–	3,714	12
Security bonds, deposits and retentions	694	–	471	–
Employee costs	5	–	7	–
Other	5	–	75	–
Total payables	9,035	–	9,912	12
Income received in advance				
Payments received in advance	1,161	–	1,114	–
Total income received in advance	1,161	–	1,114	–
Borrowings				
Loans – secured ¹	856	1,461	1,081	2,316
Total borrowings	856	1,461	1,081	2,316
TOTAL PAYABLES AND BORROWINGS	11,052	1,461	12,107	2,328

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	1,727	–	1,483	–
Total payables and borrowings relating to restricted assets	1,727	–	1,483	–
Total payables and borrowings relating to unrestricted assets	9,325	1,461	10,624	2,328
TOTAL PAYABLES AND BORROWINGS	11,052	1,461	12,107	2,328

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.

Hornsby Shire Council

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

Note 12. Payables and borrowings (continued)

\$ '000

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

Nil

(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	3,397	(1,080)	–	–	–	2,317
TOTAL	3,397	(1,080)	–	–	–	2,317

\$ '000

2018

2017

(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ⁽¹⁾	2,000	2,000
Credit cards/purchase cards	17	19
Total financing arrangements	2,017	2,019
Drawn facilities as at balance date:		
– Credit cards/purchase cards	13	10
Total drawn financing arrangements	13	10
Undrawn facilities as at balance date:		
– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	4	9
Total undrawn financing arrangements	2,004	2,009

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

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. 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.

Hornsby Shire Council

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

Note 13. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	3,754	–	3,731	–
Sick leave	355	–	385	–
Long service leave	10,045	283	9,793	515
Gratuities	183	–	179	–
Other leave	117	–	117	–
Sub-total – aggregate employee benefits	14,454	283	14,205	515
Other provisions:				
Boundary adjustment - disputed amounts	17,729	–	24,947	–
<u>TOTAL PROVISIONS</u>	<u>32,183</u>	<u>283</u>	<u>39,152</u>	<u>515</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Boundary adjustment – transfer of reserves	17,729	–	15,571	–
Internally restricted assets				
Employee leave entitlements	10,677	–	8,871	–
Total provisions relating to restricted assets	28,406	–	24,442	–
Total provisions relating to unrestricted assets	3,777	283	14,710	515
<u>TOTAL PROVISIONS</u>	<u>32,183</u>	<u>283</u>	<u>39,152</u>	<u>515</u>

\$ '000	2018	2017
---------	------	------

(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	10,172	10,041
	<u>10,172</u>	<u>10,041</u>

Hornsby Shire Council

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

Note 13. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	Other provisions	
	Boundary Adjustment	Total
At beginning of year	24,947	24,947
Changes to provision:		
– Amounts payable to neighbouring Council	12,387	12,387
– Amounts receivable from neighbouring Council	(419)	(419)
– Payments to neighbouring Council	(19,186)	(19,186)
Total other provisions at	17,729	17,729

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

Boundary adjustment

Disputed amounts

On 12 May 2016 a boundary adjustment between Hornsby and the City of Parramatta Council was announced by the NSW Government and all assets south of the M2 motorway were transferred to the City of Parramatta.

Council's budget was negatively affected by the loss of the area south of the M2 motorway which has caused the Operating Performance ratio (Note 23) to decline significantly.

Provisions for the transfer of reserves to the City of Parramatta as a result of the boundary adjustment continue to be recognised at 30 June 2018. These amounts are currently under dispute and have been calculated using managements best estimate after taking account of all known considerations and applying a conservative approach.

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Nature of prior-period error

Council owns a portfolio of rental properties that have been leased to tenants at subsidised rates and account for under AASB 116 as Property, Plant and Equipment in prior periods.

Within the year ended 30 June 2017 rent charged for a number of properties was increased to a market level, following resolution from Council.

AASB 140 required the following accounting treatment at 30 June 2017:

- Reclassification of properties from Property Plant and Equipment to Investment Properties in the Statement of Financial Position.
- Remeasurement of properties to fair value at 30 June 2017 with the movement on reclassification accounted for as a gain or loss within the asset revaluation reserve in accordance with AASB 140.

The errors identified above have been corrected by restating the balances at 30 June 2017.

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

Hornsby Shire Council

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

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (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	1,475,604	(16,240)	1,459,364
Investment property	–	25,095	25,095
Total assets	1,659,987	8,855	1,668,842
Infrastructure, property, plant and equipment revaluation reserve	506,923	8,855	515,778
Total equity	1,605,870	8,855	1,614,740
Statement of Comprehensive Income			
Net operating result for the year	43,773	–	43,773
Gain (loss) on revaluation of I,PP&E	38,962	8,855	47,817
Other comprehensive income	38,962	8,855	47,817
Total comprehensive income for the year	82,735	8,855	91,590

Hornsby Shire Council

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

Note 15. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	146,506	30,657
Balance as per the Statement of Cash Flows		146,506	30,657
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		111,810	43,773
Adjust for non-cash items:			
Depreciation and amortisation		17,944	16,885
Net losses/(gains) on disposal of assets		1,035	(16,896)
Non-cash capital grants and contributions		–	(406)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– investment property		(190)	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		959	2,851
Increase/(decrease) in provision for doubtful debts		(41)	49
Decrease/(increase) in inventories		(21)	(10)
Decrease/(increase) in other assets		(625)	234
Increase/(decrease) in payables		(916)	(186)
Increase/(decrease) in accrued interest payable		(1)	(1)
Increase/(decrease) in other accrued expenses payable		(123)	(106)
Increase/(decrease) in other liabilities		198	18
Increase/(decrease) in employee leave entitlements		17	530
Increase/(decrease) in other provisions		(7,218)	10,692
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		122,828	57,427
(c) Non-cash investing and financing activities			
Other dedications		–	406
Total non-cash investing and financing activities		–	406

Hornsby Shire 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 (non specialised)	36	90
Plant and equipment	–	41
Land improvements	1,111	41
Foreshore facilities	16	–
Infrastructure – roads, bridges and footpaths	1,228	854
Stormwater drainage	104	193
Recreational facilities	403	3,104
Hornsby Quarry	3,217	5,806
Total commitments	6,115	10,129
These expenditures are payable as follows:		
Within the next year	6,115	7,526
Later than one year and not later than 5 years	–	2,603
Total payable	6,115	10,129
Sources for funding of capital commitments:		
Unrestricted general funds	434	357
Externally restricted reserves	4,016	3,966
Internally restricted reserves	1,665	5,806
Total sources of funding	6,115	10,129

Details of capital commitments

Council has committed to funds to North Connex to fill the void of Hornsby Quarry with spoil from construction of the tunnel.

All other committed amounts are associated with the routine renewal and/or upgrade of existing Council assets.

(b) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	318	156
Later than one year and not later than 5 years	589	273
Total non-cancellable operating lease commitments	907	429

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

Computer equipment under a Master Lease Agreement with Macquarie Bank. Contingent rentals may be payable depending on the condition of items or usage during the lease term.
Contingent rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Hornsby Shire 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) 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.

(ii) StateCover Limited

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

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

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

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

(iii) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels. At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

(iii) Hornsby Quarry Site

The filling of the Quarry void has commenced and is being managed by the NSW Government through North Connex.

Council is not legally obliged to remediate the site, therefore a provision for future costs has not been recognised in line with AASB 137. Instead, expenditure is recognised in Capital Works In Progress as it is incurred and will be capitalised once works have been completed.

Council has sufficient cash reserves available to carry out remediation works to the level of funds set aside against restricted assets for this purpose as disclosed in Note 6c.

Hornsby Shire Council

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

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.

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	146,506	30,657	146,506	30,657
Investments				
– 'Loans and receivables'	126,618	144,500	126,618	144,500
Receivables	5,511	5,564	5,511	5,564
Total financial assets	278,635	180,721	278,635	180,721
Financial liabilities				
Payables	9,035	9,924	9,035	9,924
Loans/advances	2,317	3,397	2,317	3,397
Total financial liabilities	11,352	13,321	11,352	13,321

Hornsby Shire 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.

(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	
	Net Result	Equity	Net Result	Equity
2018				
Possible impact of a 1% movement in interest rates	2,731	2,731	(2,731)	(2,731)
2017				
Possible impact of a 1% movement in interest rates	1,752	1,752	(1,752)	(1,752)

Hornsby Shire 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.

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	46%	0%	42%
Overdue	100%	54%	100%	58%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges

	2018	2017
< 1 year overdue	1,009	883
1 – 2 years overdue	156	188
2 – 5 years overdue	189	251
> 5 years overdue	153	203
	1,507	1,525

Other receivables

Current	1,883	1,772
0 – 30 days overdue	1,498	778
31 – 60 days overdue	275	226
61 – 90 days overdue	168	49
> 91 days overdue	280	1,355
	4,104	4,180

Hornsby Shire 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.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	694	8,341	–	–	9,035	9,035
Loans and advances	6.88%	–	994	1,642	–	2,636	2,317
Total financial liabilities		694	9,335	1,642	–	11,671	11,352
2017							
Trade/other payables	0.00%	471	9,468	–	–	9,939	9,924
Loans and advances	7.15%	–	1,295	2,374	262	3,931	3,397
Total financial liabilities		471	10,763	2,374	262	13,870	13,321

Hornsby Shire 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 14 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	85,865	88,285	2,420	3%	F
User charges and fees	13,543	13,958	415	3%	F
Interest and investment revenue	3,636	4,858	1,222	34%	F
The cash balance increased throughout the year ended 30 June 2018, resulting in higher than expected investment income.					
Additionally, Council achieved an annualised return on cash and term deposits of 2.59%, which was greater than the rate budgeted and the Bank Bill Swap Rate.					
Other revenues	6,838	7,629	791	12%	F
Operating grants and contributions	11,407	11,574	167	1%	F
Capital grants and contributions	11,433	106,006	94,573	827%	F
Council received \$90m from the NSW State Government as compensation for the loss of the area south of the M2 motorway to the City of Parramatta Council that was proclaimed on 12 May 2016.					
Fair value increment on investment property	–	190	190	0%	F
The fair value increment on investment property is a non cash balance and accordingly is not included in the annual budget.					

Hornsby Shire 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	47,262	43,818	3,444	7% F
Borrowing costs	214	213	1	0% F
Materials and contracts	42,167	42,710	(543)	(1%) U
Depreciation and amortisation	17,603	17,944	(341)	(2%) U
Other expenses	12,881	14,970	(2,089)	(16%) U
Other expenses have increased as Council made a \$2,867k contribution to PCYC within the year for a new facility at Waitara. The new facility compliments Council's offering of facilities to the community within the area.				
Net losses from disposal of assets	–	1,035	(1,035)	0% U
Council upgraded numerous infrastructure assets within the year that had a remaining written down value prior to being upgraded. Additionally, there were no significant proceeds from asset sales within the year ended 30 June 2018 compared with prior years.				
Budget variations relating to Council's Cash Flow Statement include:				
Cash flows from operating activities	15,264	122,828	107,564	704.7% F
Cash flows from operating activities have increased due to the receipt of \$90m from the NSW State Government as compensation for the loss of the area south of the M2 motorway to the City of Parramatta.				
Cash flows from investing activities	(28,480)	(8,231)	20,249	(71.1%) F
Cash outflows from investing activities are greater than budgeted because more term deposits have been sold than purchased within the year. This is because a larger portion of Council's cash and investment portfolio is held in deposits at call and managed funds than in the prior year, and because \$90m of compensation from the NSW State Government was received on the last working day of the financial year and is classified as cash at 30 June 2018.				
Cash flows from financing activities	(1,081)	(1,080)	1	(0.1%) F

Hornsby Shire 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

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:

		Fair value measurement hierarchy			
		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
2018					
Recurring fair value measurements					
Investment property					
Investment property portfolio	30/06/18	–	25,285	–	25,285
Total investment property		–	25,285	–	25,285
Infrastructure, property, plant and equipment					
Operational land	31/05/18	–	149,417	–	149,417
Community land	30/04/16	–	–	348,366	348,366
Buildings (specialised and non-specialised)	31/05/18	–	–	101,916	101,916
Roads, bridges, footpaths and bulk earthworks	30/06/18	–	–	439,045	439,045
Stormwater drainage	30/06/18	–	–	423,871	423,871
Swimming pools	31/05/18	–	–	27,335	27,335
Catchment remediation assets	30/06/18	–	–	13,505	13,505
Total infrastructure, property, plant and equipment		–	149,417	1,354,038	1,503,455
Fair value measurement hierarchy					
		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
2017					
Recurring fair value measurements					
Investment property					
Investment property portfolio		–	25,095	–	25,095
Total investment property		–	25,095	–	25,095
Infrastructure, property, plant and equipment					
Operational land	30/06/13	–	99,924	–	99,924
Community land	30/04/16	–	–	350,405	350,405
Buildings (specialised and non-specialised)	30/06/14	–	–	90,022	90,022
Roads, bridges, footpaths and bulk earthworks	30/06/17	–	–	411,893	411,893
Stormwater drainage	30/06/17	–	–	393,809	393,809
Swimming pools	30/06/14	–	–	30,458	30,458
Catchment remediation assets	30/06/16	–	–	13,258	13,258
Total infrastructure, property, plant and equipment		–	99,924	1,289,845	1,389,769

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

(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.

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

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

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

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

Investment Property

Council engages an independent, qualified expert, Scott Fullerton Valuations Pty Limited to determine the fair value of Investment Properties, which were last remeasured at 30 June 2018.

In measuring fair value, Scott Fullerton took into account the characteristics of each property and whether market participants would take those characteristics into account when pricing, assuming that market participants would act in their best economic interest.

A direct comparison approach was adopted where recent information was available whereby a unit rate per square metre was calculated using the following observable inputs:

- Price per square metre
- Direct comparison to sales evidence
- Zoning
- Location
- Land area and configuration
- Planning controls

Where recent sales data was not available a capitalised income approach was used whereby a yield was applied to the property's income to assess its value. This approach also included the following inputs:

- Rental income
- Rent reviews
- Capitalisation rate

Infrastructure, property, plant and equipment

Buildings (Specialised and Non-Specialised)

Council also engages Scott Fullerton Valuations Pty Limited to determine the fair value of buildings, which were last remeasured at 31 May 2018.

In line with AASB 13 fair value is calculated using depreciated replacement cost methodology. Gross replacement cost is calculated from the summation of the current replacement unit cost of the individual components of each building. Accumulated depreciation is calculated from the condition of each component,

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

which is used to determine the amount of economic benefit consumed. Gross replacement cost less accumulated depreciation equates to fair value.

The current replacement unit cost rates of each component are a key unobservable input (level 3) in the calculation. These rates are benchmarked to the construction cost of similar properties to ensure they are appropriate.

Land (Operational and Community)

Council engages an independent, qualified expert (also Scott Fullarton Valuations) to determine the fair value of operational land. Fair value is calculated with reference to current prices in an active market for similar properties and used to calculate square meter unit rates. Where such information is not available the price of different properties in active markets or price of similar properties in less active markets, adjusted to reflect differences are used. Consideration is paid to the inherent features of each property such as usability, fire and flood risk with adjustments made if appropriate.

The valuation of community land is performed internally as there is no active market. Fair value is determined from square meter unit rates supplied by the Valuer General, which are used for rating purposes.

Community and operational land were last remeasured to fair value at 30 April 2016 and 31 May 2018, respectively.

Square meter unit rates are a key unobservable input in each the calculations.

Infrastructure assets

Valuations for infrastructure assets are performed internally as there is no active market for assets of this nature. Current replacement cost is calculated from the summation of the current replacement unit cost of the individual components of each asset. The cost of each component is determined from the unit rate, usually in square meters multiplied by the dimensions of the component of the asset. All infrastructure assets are subject to ongoing condition assessment. Accumulated depreciation is calculated from the condition of each asset, which is used to determine the amount of economic benefit consumed. Gross replacement cost less accumulated depreciation equates to fair value.

Square meter unit rates are a key unobservable input in the calculation.

Infrastructure asset revaluations are performed annually and were last completed at 30 June 2018.

All Other Asset Classes

Historic cost is deemed to represent fair value for all other asset classes.

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

A reconciliation of movements for these assets is included within Note 9a.

(5). Highest and best use

Community based assets

Council undertakes a number of services with a strong focus of providing community benefits to its constituents. These services are based meeting essential community needs and are not of a nature that would be provided in a commercially competitive environment.

Hornsby Shire Council

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

Note 20. Fair value measurement (continued)

Land under the asset class Community Land comprises Crown land under Council's care and control as well as Council-owned land that has been classified as community land under the provisions of the Local Government Act 1993. Furthermore, Council has a number of buildings that are applied in delivering community services. The restrictions on the land and the community use of the buildings in delivering community based services is considered to be the 'highest and best use' of those assets to Councils.

Investment Properties

Scott Fullarton Valuations have identified four investment properties within Council's portfolio which have a highest and best as a redevelopment site, and are therefore under-developed. The Fair Value of these properties at 30 June 2018 is \$7,680k.

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions

\$

a. Key management personnel

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

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

	2018	2017
Short term benefits		
Salaries and other short term benefits	1,897,443	1,808,913
Post-employment benefits		
Superannuation – Senior Staff	145,687	140,432
Other long-term benefits		
Long service leave entitlement	42,420	41,395
Total	2,085,550	1,990,740

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. 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.

The difference between income from Developer Contributions in Note 3 (f) and Contributions Received during the year is due to an estimate of the amount of contributions received that may need to be transferred to the City of Parramatta as a result of the boundary adjustment announced by the NSW government on 12 May 2016.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Transfers (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	3,507	1,307	–	109	(411)	–	4,512	–
Open space	37,480	7,419	–	958	(6,394)	–	39,463	–
Community facilities	21,608	2,913	–	586	(90)	–	25,017	–
Plan administration	414	52	–	11	(19)	–	458	–
RMS rural roads (transferred from S7.11)	3,151	–	–	–	–	(3,151)	–	–
S7.11 contributions – under a plan	66,160	11,691	–	1,664	(6,914)	(3,151)	69,450	–
S7.12 levies – under a plan	4,350	1,518	–	136	–	–	6,004	–
Total S7.11 and S7.12 revenue under plans	70,510	13,209	–	1,800	(6,914)	(3,151)	75,454	–
Total contributions	70,510	13,209	–	1,800	(6,914)	(3,151)	75,454	–

Hornsby Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 (2012 to 2021)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Transfers (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	3,507	1,307	–	109	(411)	–	4,512	–
Open space	37,480	7,419	–	958	(6,394)	–	39,463	–
Community facilities	21,608	2,913	–	586	(90)	–	25,017	–
Plan administration	414	52	–	11	(19)	–	458	–
RMS rural roads (transferred from S7.11)	3,151	–	–	–	–	(3,151)	–	–
Total	66,160	11,691	–	1,664	(6,914)	(3,151)	69,450	–

S7.12 LEVIES – UNDER A PLAN

2012 - 2021

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	4,350	1,518	–	136	–	–	6,004	–
Total	4,350	1,518	–	136	–	–	6,004	–

Hornsby Shire Council

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

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	6,649	5.26%	6.86%	10.73%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	126,304				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	114,730	49.39%	79.32%	66.82%	> 60.00%
Total continuing operating revenue ⁽¹⁾	232,310				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	91,033	6.69x	3.95x	4.02x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	13,607				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	24,806	19.18x	10.74x	14.95x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,293				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,646	1.82%	1.91%	1.83%	< 5% metro
Rates, annual and extra charges collectible	90,238				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	273,124	27.39 mths	20.7 mths	13.2 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities x12	9,971				
7. Debt service ratio (Voluntarily Disclosed)					
Debt redemption during the year and interest applicable for the year	1,293	1.08%	1.73%	1.47%	>0.00% and < 20.00%
Income from continuing operations excluding specific purpose operating and capital grants and contributions	120,029				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 12 and 13.

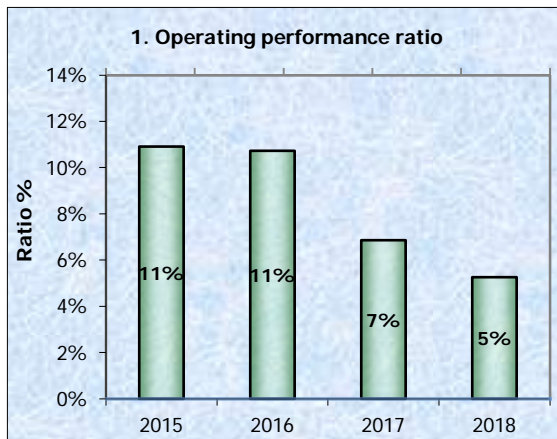
⁽⁴⁾ Refer to Note 12(b) and 13(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

END OF AUDITED FINANCIAL STATEMENTS

Hornsby Shire Council

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

Note 23(b). Statement of performance measures – consolidated results (graphs)



Benchmark: — Minimum $\geq 0.00\%$

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

Purpose of operating performance ratio

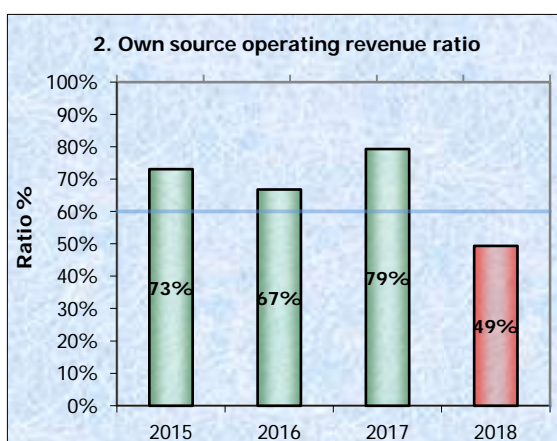
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2017/18 result

2017/18 ratio 5.26%

Council's Operating Performance has declined since 2016 when the area south of the M2 motorway was transferred to the City of Parramatta by the NSW State Government.

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Minimum $\geq 60.00\%$

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

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.

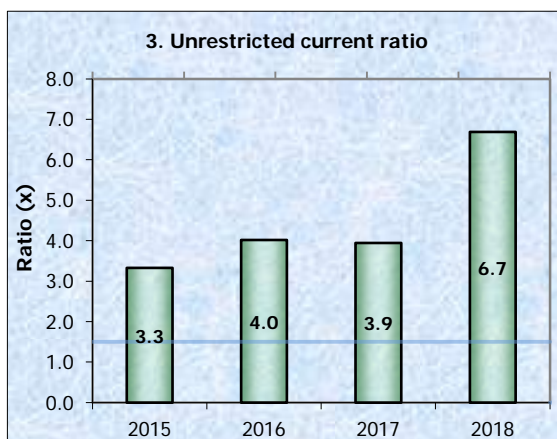
Commentary on 2017/18 result

2017/18 ratio 49.39%

The 2018 ratio is affected by a payment of \$90m from the NSW State Government as compensation for the loss of the area south of the M2 motorway to the City of Parramatta.

If this amount is excluded the ratio is 78.98%, which is above the benchmark and consistent with the prior year.

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Minimum ≥ 1.50

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

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 6.69x

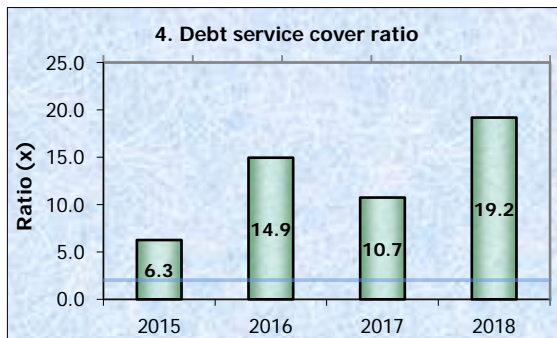
The 2018 ratio has improved as the \$90m of compensation referred to above was received in Council's bank account on the last day of the year and accordingly is classified as cash in the Financial Statements.

Ratio achieves benchmark
 Ratio is outside benchmark

Hornsby Shire Council

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

Note 23(b). Statement of performance measures – consolidated results (graphs)

Benchmark: — Minimum ≥ 2.00

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

Purpose of debt service cover ratio

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

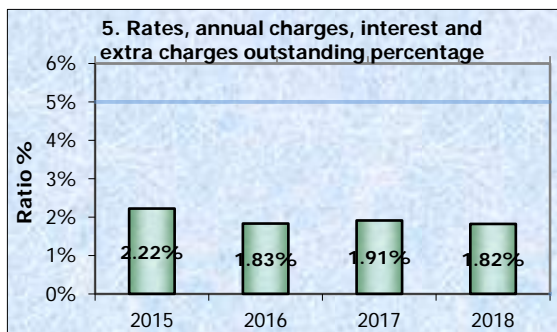
Commentary on 2017/18 result**2017/18 ratio 19.18x**

The ratio has improved as Council's debt servicing is reducing each year as no new loans have been taken out since 2012 and the level of outstanding debt at 30 June 2018 is only \$2.3m.



Ratio achieves benchmark

Ratio is outside benchmark

Benchmark: — Maximum $< 5.00\%$

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

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.

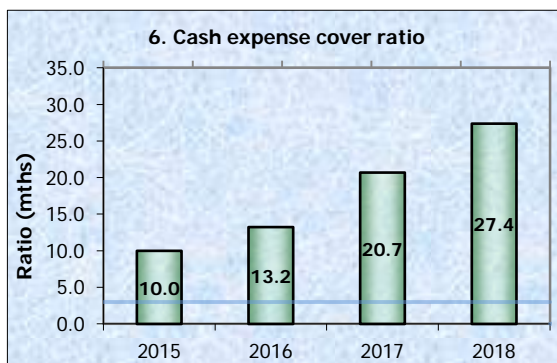
Commentary on 2017/18 result**2017/18 ratio 1.82%**

The ratio continues to be well below the benchmark as Council consistently strives for best practice in debt collection.



Ratio is within Benchmark

Ratio is outside Benchmark

Benchmark: — Minimum ≥ 3.00

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

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.

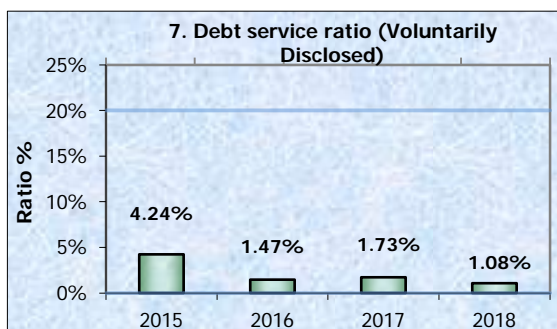
Commentary on 2017/18 result**2017/18 ratio 27.39 mths**

The increase is due to a larger cash balance from the receipt of \$90m from the NSW State Government as compensation for the loss of the area south of the M2 motorway to the City of Parramatta.



Ratio achieves benchmark

Ratio is outside benchmark

Benchmark: — Minimum $\geq 0.00\%$ Maximum $< 20.00\%$ **Purpose of debt service ratio**

This ratio measures the percentage of Council's income required to service debt obligations.

Commentary on green result**2017/18 ratio 1.08%**

The ratio is forecast to fall below 1% within the next year. This is because no new loans have been taken out since 2012 and the level of outstanding debt at 30 June 2018 is only \$2.3m.



Ratio is within Benchmark

Ratio is outside Benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Hornsby Shire Council

To the Councillors of Hornsby Shire Council

Opinion

I have audited the accompanying financial report of Hornsby Shire 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.

A handwritten signature in black ink, appearing to read 'Somaiya', with a stylized flourish at the end.

Somaiya Ahmed
Director, Financial Audit Services

15 October 2018
SYDNEY

The Honourable Philip Ruddock
Mayor
Hornsby Shire Council
Administration Centre
296 Peats Ferry Road
HORNSBY NSW 2077

Contact: Somaiya Ahmed
Phone no: 02 9275 7424
Our ref: D1814803/1741

15 October 2018

Dear Mayor

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





I have audited the general purpose financial statements of the Hornsby Shire 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	88.3	87.8	 0.6
Grants and contributions revenue	118	30.1	 292
Operating result for the year	112	43.8	 156
Net operating result before capital amounts	5.8	25.6	 77.3

Council's operating result (\$112 million including the effect of depreciation and amortisation expense of \$17.9 million) was \$68.2 million higher than the 2016–17 result. This is primarily due to:

- \$90 million in Stronger Communities grant funding received from the NSW Government in 2017–18
- offset by one-off gain from disposal of assets of \$16.8 million in 2016–17.

The net operating result before capital grants and contributions \$5.8 million was \$19.8 million lower than the 2016–17 primarily due to the one-off gain from disposal of assets of \$16.8 million in the previous year.

Rates and annual charges revenue \$88.2 million increased by \$500,000 (0.6 per cent) in 2017–18 as a result of:

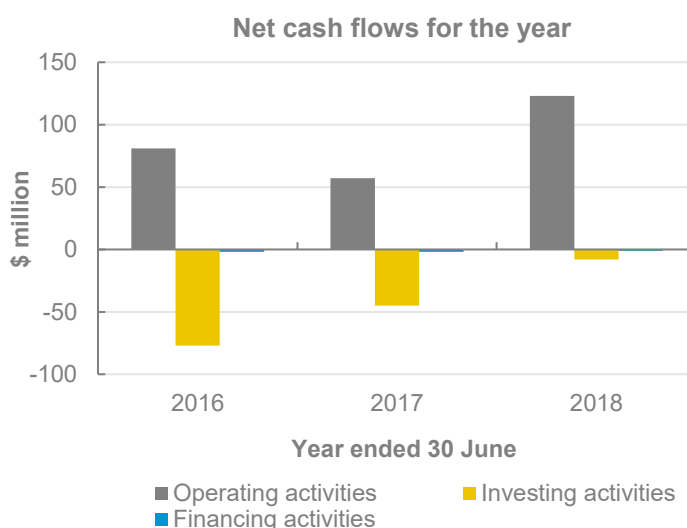
- rise in rates revenue by \$1.7 million to \$64.9 million in line with the permissible yield of 1.5%
- offset by a decrease in Domestic Waste Management revenue of \$1.3 million as a result of the area south of the M2 being serviced by the City of Parramatta.

Grants and contributions revenue of \$118 million increased by \$87.9 million (292 per cent) in 2017–18 primarily due to receipt of \$90 million grant from the NSW State Government.

STATEMENT OF CASH FLOWS

The reduction of cash outflows from investing activities is due to the net redemption of term deposits during 2017–18 and lower receipts from sale of infrastructure, property, plant and equipment.

The increase in cash flows from operating activities was mainly due to \$90 million government grant funding from the NSW Government.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	188.0	85.5	<ul style="list-style-type: none"> • Cash and investments increased by \$97.9 million, mainly due to receipts of state government grants of \$90.0 million • Significant externally restricted funds include Developer Contributions of \$75.5 million and Stronger Community grants of \$90.0 million • Significant internally restricted funds include Hornsby Quarry Remediation of \$29.1 million and council strategic projects of \$18.1 million.
Internal restrictions	75.8	70.0	
Unrestricted	9.3	19.7	
Cash and investments	273.1	175.2	

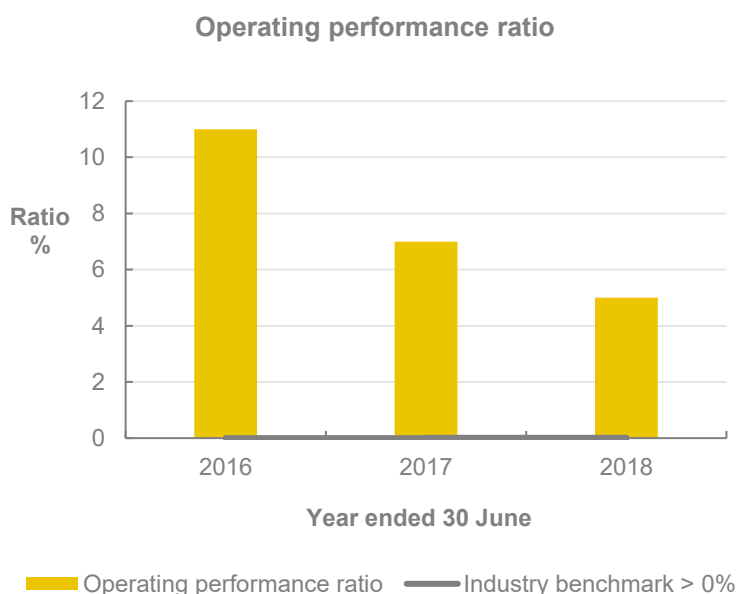
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23(b) 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 exceeded the benchmark of greater than zero per cent in 2017–18.
- Council's Operating Performance has declined since 2015–16 due to the loss of revenue from the area south of the M2 motorway transferred to the City of Parramatta.

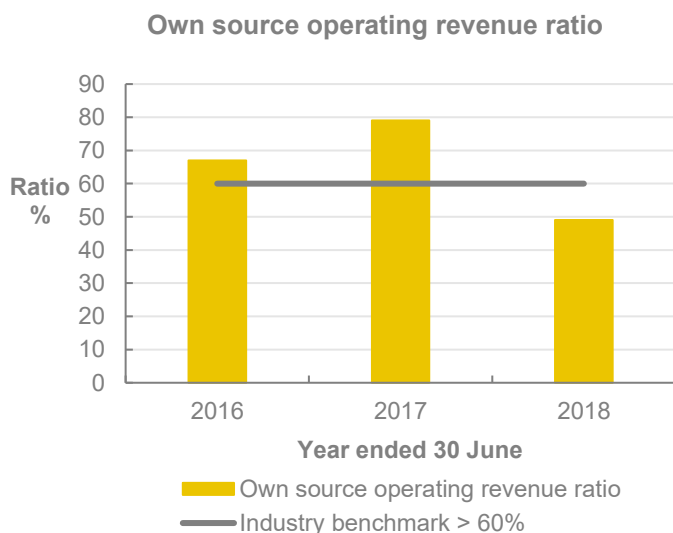
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Council did not meet the benchmark of greater than 60 per cent in 2017–18
- The decrease was due to the receipt of \$90 million Stronger Communities grant funding from the NSW Government.

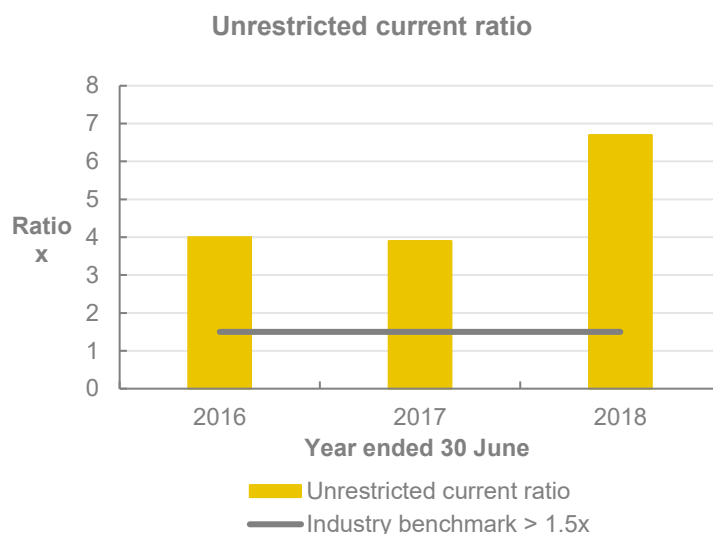
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- Council continues to exceed the benchmark due to high cash and investment balances.
- The ratio has improved in 2017–18 as a result of the receipt of \$90 million of Stronger Communities grant funding from the NSW Government.

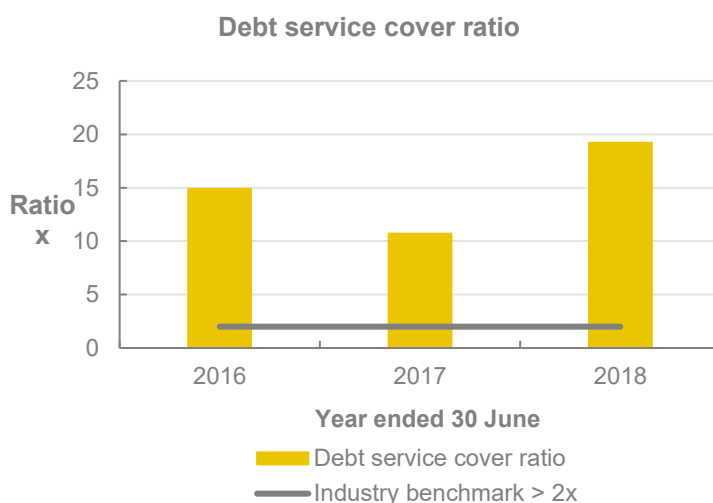
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- Council exceeded the benchmark of greater than two times in 2017–18.
- the ratio increased from previous year mainly due to the increase in total revenue.

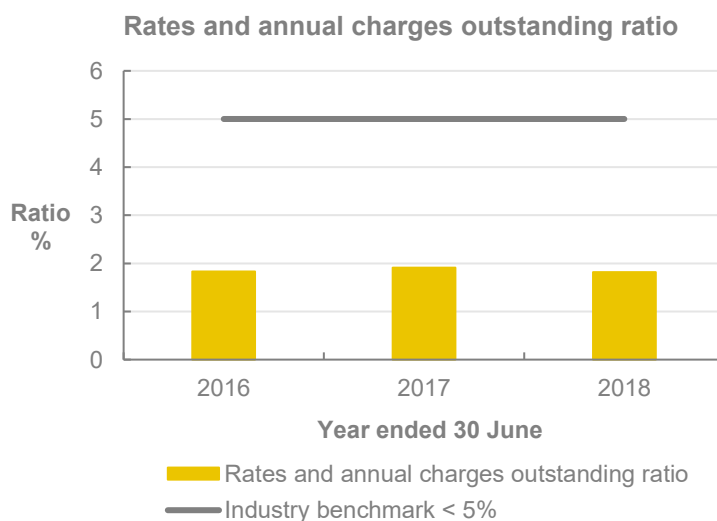
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council continues to achieve the benchmark for outstanding rates and annual charges.

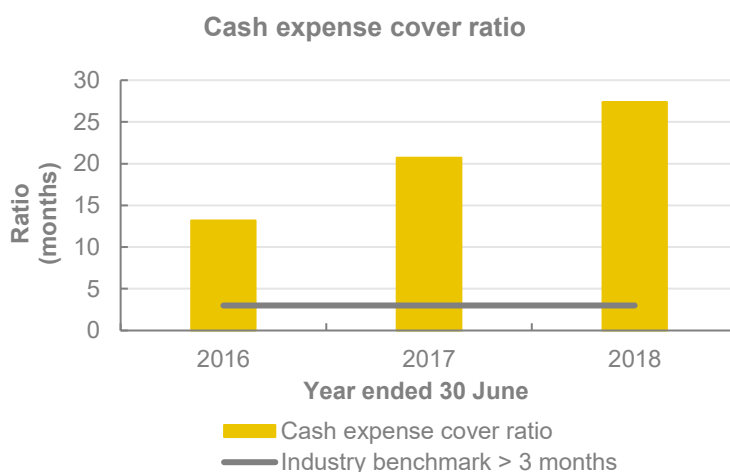
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council exceeded the benchmark of greater than three months.
- This has increased slightly from prior year due to higher levels of cash from operations.

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.

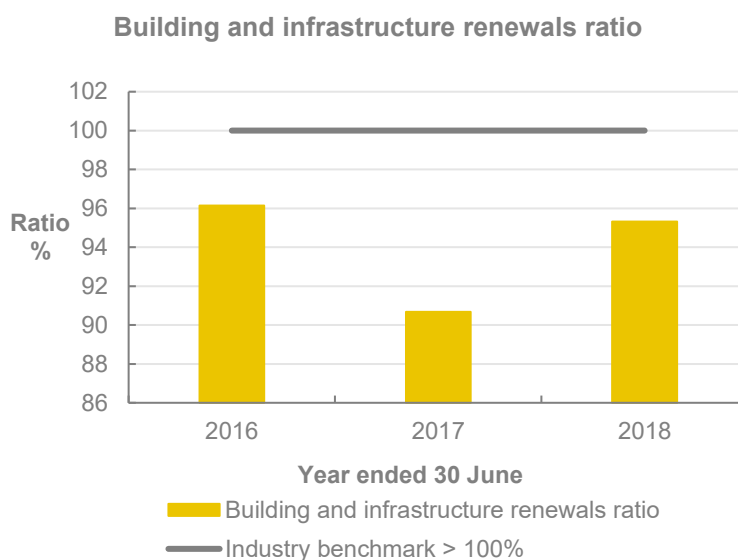


Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio was below the benchmark. The ratio does not consider asset additions of \$13.5 million.
- This ratio has increased from previous year due to a \$1.0 million increase in asset renewals.

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 12.

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.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



Somaiya Ahmed
Director, Financial Audit Services

cc: Mr Steven Head, General Manager
Mr Tim Hurst, Chief Executive of the Office of Local Government

Hornsby Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018



Hornsby Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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2. Special Purpose Financial Statements:	
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Statement of Financial Position – Other Business Activities	5
3. Notes to the Special Purpose Financial Statements	7
4. Auditor's Report	11

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).
-

Hornsby Shire Council

Special Purpose Financial Statements for the year ended 30 June 2018

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

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

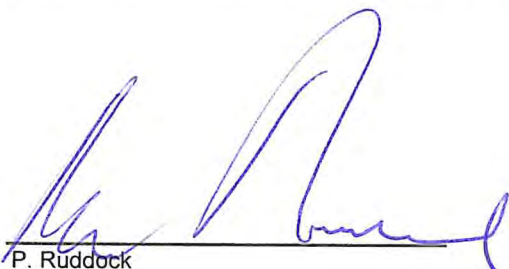
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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


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


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

Signed in accordance with a resolution of Council made on 12 September 2018.


 P. Ruddock
 Mayor


 V. del Gallego
 Councillor


 S. Head
 General manager


 G. Magus
 Responsible accounting officer

Hornsby Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Aquatic Centres & Sports Stadium Category 1		Commercial Waste Category 2	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
User charges	4,763	4,754	1,793	1,810
Other income	541	489	116	153
Total income from continuing operations	5,304	5,243	1,909	1,963
Expenses from continuing operations				
Employee benefits and on-costs	3,734	3,610	73	53
Materials and contracts	813	757	1,423	1,446
Depreciation, amortisation and impairment	907	891	–	7
Calculated taxation equivalents	216	244	–	–
Other expenses	744	808	8	1
Total expenses from continuing operations	6,414	6,310	1,504	1,507
Surplus (deficit) from continuing operations before capital amounts	(1,110)	(1,067)	405	456
Surplus (deficit) from continuing operations after capital amounts	(1,110)	(1,067)	405	456
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	(122)	(137)
SURPLUS (DEFICIT) AFTER TAX	(1,110)	(1,067)	284	319
Plus opening retained profits	32,701	33,067	263	329
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	216	244	–	–
– Corporate taxation equivalent	–	–	122	137
Add:				
– Capital contributions	146	489	–	–
Less:				
– Dividend paid	(709)	(32)	(525)	(522)
Closing retained profits	31,244	32,701	143	263
Return on capital %	-3.0%	-2.7%	n/a	512.4%
Subsidy from Council	2,099	2,006	–	–

Hornsby Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Development Applications Category 2		Property Services Category 2	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
User charges	–	–	616	454
Fees	495	642	42	52
Fair value increment on investment property	–	–	190	–
Other income	–	–	83	60
Total income from continuing operations	495	642	931	566
Expenses from continuing operations				
Employee benefits and on-costs	936	955	152	209
Materials and contracts	–	–	33	101
Depreciation, amortisation and impairment	30	22	294	563
Loss on sale of assets	–	–	131	–
Calculated taxation equivalents	10	11	679	588
Other expenses	113	105	–	–
Total expenses from continuing operations	1,089	1,093	1,289	1,461
Surplus (deficit) from continuing operations before capital amounts	(594)	(451)	(358)	(895)
Surplus (deficit) from continuing operations after capital amounts	(594)	(451)	(358)	(895)
SURPLUS (DEFICIT) AFTER TAX	(594)	(451)	(358)	(895)
Plus opening retained profits	80	9	16,547	21,606
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	10	11	679	588
Add:				
– Subsidy paid/contribution to operations	519	511	–	–
Less:				
– Dividend paid	–	–	(275)	(4,752)
Closing retained profits	15	80	16,593	16,547
Return on capital %	-337.5%	-253.4%	-1.4%	-4.3%
Subsidy from Council	599	451	1,043	1,655

Hornsby Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

	Aquatic Centres & Sports Stadium Category 1		Commercial Waste Category 2	
\$ '000	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	50	101	–	–
Receivables	67	68	170	200
Inventories	22	15	–	–
Total Current Assets	139	184	170	200
Non-current assets				
Infrastructure, property, plant and equipment	37,620	39,445	–	89
Total non-current assets	37,620	39,445	–	89
TOTAL ASSETS	37,759	39,629	170	289
LIABILITIES				
Current liabilities				
Provisions	229	223	27	26
Total current liabilities	229	223	27	26
Non-current liabilities				
Nil				
TOTAL LIABILITIES	229	223	27	26
NET ASSETS	37,530	39,406	143	263
EQUITY				
Accumulated surplus	31,244	32,701	143	263
Revaluation reserves	6,286	6,705	–	–
Council equity interest	37,530	39,406	143	263
TOTAL EQUITY	37,530	39,406	143	263

Hornsby Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

	Development Applications Category 2		Property Services Category 2	
\$ '000	2018	2017	2018	2017
ASSETS				
Current assets				
Receivables	–	59	395	114
Total Current Assets	–	59	395	114
Non-current assets				
Infrastructure, property, plant and equipment	176	178	26,061	20,930
Investment property	–	–	25,285	25,095
Total non-current assets	176	178	51,346	46,025
TOTAL ASSETS	176	237	51,741	46,139
LIABILITIES				
Current liabilities				
Provisions	161	157	73	72
Total current liabilities	161	157	73	72
Non-current liabilities				
Nil				
TOTAL LIABILITIES	161	157	73	72
NET ASSETS	15	80	51,668	46,067
EQUITY				
Accumulated surplus	15	80	16,593	16,547
Revaluation reserves	–	–	35,075	29,520
Council equity interest	15	80	51,668	46,067
TOTAL EQUITY	15	80	51,668	46,067

Hornsby Shire 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	8

Hornsby Shire 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. Aquatic & Sports Centres

Operation of swimming pools, gymnasiums & indoor sports centres

Category 2

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

b. Commercial Waste Service

Services provided for the collection of commercial waste and sullage

Hornsby Shire Council

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

Note 1. Significant accounting policies (continued)

c. Development Assessments

Development assessment & inspection services

d. Property Services

Rental of Council properties to 3rd parties for residential & commercial purposes

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.

Hornsby Shire 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.

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.

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

Hornsby Shire Council

To the Councillors of Hornsby Shire Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Hornsby Shire 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 Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Aquatic Centres & Sports Stadium
- Commercial Waste
- Development Applications
- Property Services.

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 and the Emphasis of Matter referring to the basis of accounting.

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.



Somaiya Ahmed
Director, Financial Audit Services

15 October 2018
SYDNEY

Hornsby Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2018



Hornsby Shire Council

Special Schedules for the year ended 30 June 2018

Contents

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Special Schedules ¹

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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.

Hornsby Shire 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	3,023	1,039	–	(1,984)
Administration	14,543	2,545	89,284	77,286
Public order and safety				
Fire service levy, fire protection, emergency services	1,610	2,674	–	1,064
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	321	210	–	(111)
Other	–	–	–	–
Total public order and safety	1,931	2,884	–	953
Health	1,280	203	–	(1,077)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	6,727	3,529	–	(3,198)
Solid waste management	22,939	26,028	19	3,108
Street cleaning	1,306	3	–	(1,303)
Drainage	4,844	–	–	(4,844)
Stormwater management	–	–	–	–
Total environment	35,816	29,560	19	(6,237)
Community services and education				
Administration and education	390	–	–	(390)
Social protection (welfare)	892	119	–	(773)
Aged persons and disabled	1,085	642	–	(443)
Children's services	1	–	–	(1)
Total community services and education	2,368	761	–	(1,607)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	2,440	671	–	(1,769)
Town planning	8,260	3,320	13,209	8,269
Other community amenities	2,505	–	–	(2,505)
Total housing and community amenities	13,205	3,991	13,209	3,995

Hornsby Shire 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	6,874	575	—	(6,299)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	1,767	2,286	—	519
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	412	16	—	(396)
Sporting grounds and venues	2,855	1,694	—	(1,161)
Swimming pools	5,500	4,569	—	(931)
Parks and gardens (lakes)	3,436	354	—	(3,082)
Other sport and recreation	10,712	562	640	(9,510)
Total recreation and culture	31,556	10,056	640	(20,860)
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	9,240	1,307	2,029	(5,904)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	—	—	—	—
Sealed rural roads (SRR) – regional	—	—	—	—
Unsealed rural roads (URR) – local	184	—	—	(184)
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	290	—	—	(290)
Bridges on SRR – local	—	—	—	—
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	125	—	—	(125)
Footpaths	884	—	(6)	(890)
Aerodromes	—	—	—	—
Other transport and communication	4,652	3,051	831	(770)
Total transport and communication	15,375	4,358	2,854	(8,163)
Economic affairs				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	1,593	723	—	(870)
Total economic affairs	1,593	723	—	(870)
Totals – functions	120,690	56,120	106,006	41,436
General purpose revenues ⁽¹⁾		70,374		70,374
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	120,690	126,494	106,006	111,810

(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

Hornsby Shire 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	66,008	74,322
Plus or minus adjustments ⁽²⁾	b	412	(9,318)
Notional general income	c = (a + b)	66,420	65,004
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c – g)	—	—
Or plus rate peg amount	i = c x e	1,528	975
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	67,948	65,979
Plus (or minus) last year's carry forward total	l	1	54
Less valuation objections claimed in the previous year	m	—	(24)
Sub-total	n = (l + m)	1	30
Total permissible income	o = k + n	67,949	66,009
Less notional general income yield	p	68,151	66,008
Catch-up or (excess) result	q = o – p	(202)	1
Plus income lost due to reduction in valuation	r	205	—
Less unused catch-up ⁽⁴⁾	s	—	—
Carry forward to next year *	t = q + r – s	3	1

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) 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.
- * 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

Hornsby Shire Council

To the Councillors of Hornsby Shire Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Hornsby Shire 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 and the Emphasis of Matter referring to the basis of accounting.

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.

A handwritten signature in black ink, appearing to read 'Somaiya', with a long, sweeping horizontal line extending to the left and a loop at the end.

Somaiya Ahmed
Director, Financial Audit Services

15 October 2018
SYDNEY

Hornsby Shire 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	Libraries	515	515	42	110	8,771	13,701	0%	0%	96%	4%	0%
	Amenities	713	713	450	426	29,227	49,750	0%	0%	99%	1%	0%
	Commercial/Residential Buildings	89	89	130	–	5,585	12,191	0%	0%	99%	1%	0%
	Rural Fire Service Buildings	–	–	203	2	10,309	14,562	0%	85%	15%	0%	0%
	Indoor Sports Stadium	17	17	152	127	25	25	0%	0%	100%	0%	0%
	Council Offices / Administration Centres	680	680	505	362	25,537	41,902	12%	0%	86%	2%	0%
	Council Works Depot	–	–	101	145	4,833	9,975	0%	29%	71%	0%	0%
	Council Public Halls	30	30	355	366	17,628	29,692	0%	0%	99%	1%	0%
	Sub-total	2,044	2,044	1,938	1,538	101,916	171,798	3.0%	8.9%	86.7%	1.4%	-0.1%
Other structures	Other structures	260	260	222	205	14,741	23,546	20%	45%	22%	7%	6%
	Wharves, Pontoons & Seawalls	600	600	200	182	2,325	3,576	20%	42%	13%	25%	0%
	Sub-total	860	860	422	387	17,066	27,122	20.0%	44.6%	20.8%	9.4%	5.2%
Roads	Sealed Road	359	359	3,596	3,616	266,215	301,085	88%	8%	3%	1%	0%
	Unsealed roads	4	4	184	184	2,082	3,471	0%	0%	100%	0%	0%
	Bridges	34	34	397	350	15,081	17,103	75%	21%	4%	0%	0%
	Footpaths	49	49	189	189	24,046	41,443	2%	11%	76%	11%	0%
	Traffic Facilities	5	5	58	53	3,904	4,488	9%	78%	13%	0%	0%
	Signs	7	7	36	73	4,533	4,533	61%	38%	1%	0%	0%
	Traffic Barrier Fencing	4	4	49	43	3,279	3,557	24%	75%	1%	0%	0%
	Car Parks	2	2	8	15	550	1,266	2%	3%	94%	1%	0%
	Cycle ways	1	1	8	9	487	754	100%	0%	0%	0%	0%
	Kerb and Gutter	71	71	588	716	39,409	59,749	1%	28%	71%	0%	0%
	Sub-total	536	536	5,113	5,248	359,586	437,449	64.9%	13.0%	20.3%	1.7%	0.0%

Hornsby Shire 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	Pipes	2,967	2,967	686	612	336,939	425,979	8%	91%	1%	0%	0%
	Culverts	172	172	44	36	22,263	25,612	54%	46%	0%	0%	0%
	Head Walls	15	15	6	3	2,152	2,759	18%	77%	3%	2%	0%
	Channels	21	21	5	4	2,350	3,004	1%	95%	4%	0%	0%
	Pits	414	414	103	85	60,167	75,161	23%	75%	2%	0%	0%
	Sub-total	3,589	3,589	844	740	423,871	532,515	12.3%	86.5%	1.1%	0.0%	0.0%
Open space/recreational assets	Swimming pools	–	–	–	–	–	–					
	Aquatic Centres	1,500	1,500	–	443	27,335	30,613	0%	85%	0%	15%	0%
	Sub-total	1,500	1,500	–	443	27,335	30,613	0.0%	85.2%	0.0%	15.0%	-0.2%
	TOTAL – ALL ASSETS	8,529	8,529	8,317	8,356	929,774	1,199,497	30.0%	47.6%	20.8%	1.4%	0.1%

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

Hornsby Shire 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⁾	13,409	95.32%	90.67%	96.14%	>= 100%
Depreciation, amortisation and impairment	14,067				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	8,529	0.92%	0.87%	0.66%	< 2.00%
Net carrying amount of infrastructure assets	929,774				
3. Asset maintenance ratio					
Actual asset maintenance	8,356	100.47%	94.05%	89.10%	> 100%
Required asset maintenance	8,317				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	8,529	0.71%	0.68%	0.51%	
Gross replacement cost	1,199,497				

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.

Hornsby Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

<p>1. Buildings and infrastructure renewals ratio</p> <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 95.32%</p> <p>Depreciation exceeds asset renewals for infrastructure assets. However, the ratio has improved since last year in line with the continued development of asset management plans. Required expenditure under these plans is fully budgeted each year.</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 0.92%</p> <p>The backlog remains consistently below the benchmark of 2.0% as assets are managed by strategic asset management systems and plans with allocated funding to meet requirements.</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: — Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 100.47%</p> <p>The ratio has steadily improved over the last 3 years, thus Council has achieved the benchmark. All major classes of assets are maintained in line with asset management plans which are fully funded in the annual budget.</p>
<p>4. Cost to bring assets to agreed service level</p>	<p>Purpose of agreed service level ratio</p> <p>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.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 0.71%</p> <p>The ratio indicates Council's assets are maintained at or above agreed service levels.</p>

