



# EXTRAORDINARY MEETING OF COUNCIL

To be held at 4.30pm on

**Monday 3 December 2018**

Council Chambers

11 Manning Street, KIAMA NSW 2533

## **Order of Business**

- 1 Apologies
- 2 Acknowledgement of Traditional owners
- 3 Report of the General Manager
- 4 Closure

## **Members**

His Worship the Mayor  
Councillor M Honey  
Councillor A Sloan  
Deputy Mayor  
Councillor M Brown  
Councillor N Reilly  
Councillor K Rice  
Councillor W Steel  
Councillor D Watson  
Councillor M Way  
Councillor M Westhoff

## COUNCIL OF THE MUNICIPALITY OF KIAMA

Council Chambers  
11 Manning Street  
KIAMA NSW 2533

30 November 2018

To the Chairman and Councillors:

### NOTICE OF EXTRAORDINARY MEETING

You are respectfully requested to attend an **Extraordinary Meeting** of the Council of Kiama, to be held in the **Council Chambers**

**11 Manning Street, KIAMA NSW 2533** on **Monday 3 December 2018** commencing at **4.30pm** for the consideration of the undermentioned business.

Yours faithfully



Kerry McMurray  
**General Manager**

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**AGENDA FOR THE  
EXTRAORDINARY MEETING OF KIAMA MUNICIPAL COUNCIL  
MONDAY 3 DECEMBER 2018**

**1 APOLOGIES**

**2 ACKNOWLEDGEMENT OF TRADITIONAL OWNERS**

*“On behalf of those present, I would like to show my respect and acknowledge the traditional owners of the Land, of Elders past and present, on which this meeting takes place, and extend that respect to other Aboriginal and Torres Strait Islander people present.”*

### 3 REPORT OF THE GENERAL MANAGER

#### 3.1 Audited Annual Financial Statements 2017/2018

CSP Objective: 4.0 Responsible civic leadership that is transparent, innovative and accessible

CSP Strategy: 4.1 Council is financially sustainable

Delivery Program: 4.1.1 Meeting and reporting against IPART/Fit for the Future benchmarks

#### Summary

This report advises that a public notice will be placed in the local paper on 5 December 2018 advertising that the Audited Annual Financial Statements have been tabled for consideration at this meeting.

#### Finance

Audit costs are covered in Council's budget.

#### Policy

This report is a requirement of the Local Government Act and Local Government (General) Regulations 2005.

#### Communication/Community Engagement

Public notices in local newspapers and media releases as part of the publication of Council's Annual Report.

#### Attachments

1 Audited Financial Statements [↓](#)

#### Enclosures

Nil

#### **RECOMMENDATION**

That Council received and adopt the Annual Financial Statements and Audit Reports for the period ended 30 June 2018.

#### **BACKGROUND**

Council at its meeting held on 16 October 2018 resolved to refer the Annual Financial Statements to Council's auditors in accordance with Section 413(1) of the Local Government Act 1993.

Council's auditors are required to report on the General Purpose and Special Purpose Financial Statements, which include the five main Statements, Significant Accounting Policies and Notes to the Financial Statements. They are also required to report on the conduct of the audit.

## Report of the General Manager

## 3.1 Audited Annual Financial Statements 2017/2018 (cont)

**Report on General Purpose Financial Statements**

The audit report by NSW Audit Office advises that Council has complied with all Australian Accounting Standards and obligations and responsibilities under the Local Government Act 1993, and the Local Government (General) Regulation 2005.

NSW Audit Office have issued an unqualified audit report for the General Purpose Financial Statements.

A summary of the Financial Statements is provided below:

Audited Financial Statements Summary	2018 \$'000	2017 \$'000
<b>Income Statement</b>		
Total income from continuing operations	58,911	73,953
Total expenses from continuing operations	58,773	53,221
<b>Operating result from continuing operations</b>	<b>138</b>	<b>20,732</b>
<b>Net operating result for the year</b>	<b>138</b>	<b>20,732</b>
Net operating result before grants and contributions provided for capital purposes	(2,773)	3,877
<b>Statement of Financial Position</b>		
Total current assets	39,121	45,409
Total current liabilities	(81,848)	(76,237)
Total non-current assets	444,620	428,823
Total non-current liabilities	(2,586)	(3,261)
<b>Total equity</b>	<b>399,307</b>	<b>394,734</b>
<b>Other financial information</b>		
Unrestricted current ratio (times)	2.58x	3.86x
Operating performance ratio (%)	(1.61)%	4.4%
Debt service cover ratio (times)	10.73x	8.68x
Rates and annual charges outstanding ratio (%)	1.55%	1.47%
Infrastructure renewals ratio (%)	90.37%	199.2%
Own source operating revenue ratio (%)	78.41%	60.4%
Cash expense cover ratio (months)	9.09 mths	10.71 mths

**COMMENTS ON THE GENERAL STATEMENTS**

The Income Statement for the twelve-month period ending 30 June 2018 discloses a net operating surplus for the year of \$138K (2016/2017 \$20.7M surplus).

Rates and annual charges represent approximately 35.45% of Council's revenue (2016/2017 26.83%). This percentage is also affected by the contributed assets received from the RMS.

Major variances to income from the 2016/17 financial year include the following.

A reduction in interest income of \$800k due to a lower base surplus funds available for interest and timing of payments for the KACCOE project. During 2017 Council received a payment from Squire Patton & Boggs of \$644k in relation to payment from proceedings from Grange Securities and Lehman Brothers. A further and final payment is expected during the 2019 calendar year.

Grants and contributions are significantly less for the 2017/18 financial year due to the recognition of infrastructure assets for the Gerringong highway upgrade. During 2016/17 Council recognised \$13.6M in capital contributions which saw the completion of the project.

A change in accounting treatment for the recognition asset discoveries means that a prior period adjustment of \$3.5M was recognized against Equity rather than a Capital Contribution as in previous years.

Section 94 Development contributions down from \$2.2M including interest to \$925k including interest, with 2017 having a number of larger developments with significant contributions totalling \$800k.

Major variances to expenses from the 2016/17 financial year include the following.

Salaries and Wages have increased by 6% from the last year. There are a number of reasons for the increase including taking over the running of the Visitor Information Centre \$300k and an additional \$500k for Blue Haven Nursing Home.

During the financial year as part of the agreement between Council and RMS for the Gerringong highway upgrade a number of infrastructure assets that were recognised in 2016 during the construction phase were gifted back to the RMS. This transaction resulted in a \$3.37M loss on disposal after depreciation.

## Report of the General Manager

## 3.1 Audited Annual Financial Statements 2017/2018 (cont)

**Fit for the Future Indicators**

	Meets FFTF	Bench mark	2018	2017	2016
Operating Performance Ratio	x	>0.0%	(1.61)%	4.43%	2.61%
Own Source Operating Revenue Ratio	✓	>60%	78.41%	60.43%	59.84%
Building & Infrastructure Renewals Ratio	x	100%	90.37%	199.22%	244.07%
Infrastructure Backlog Ratio	✓	<2%	1.63%	0.25%	1.56%
Asset Maintenance Ratio	x	100%	94.24%	96%	102%
Real Operating Expenditure per capita	✓	Trending ↓	\$1,889	\$1,932	\$1,959

Item 3.1

The Operating Performance Ratio has decreased significantly from 2017 due to a dip in financial performance from Blue Haven, along with the return of funding for the Carer Respite Services.

The Own Source Operating Revenue Ratio is above the benchmark. This indicates Councils flexibility necessary to manage external shocks and challenges and Councils ability to control and manage financial sustainability.

The Building & Infrastructure Renewals Ratio was quite high in 2016/17 due to another large value of Gerringong Bypass road assets being contributed to Council. Future asset renewal is fully funded in future budgets based on the Ten Year Asset Management Strategy and the Long Term Financial Plan.

Council did not provide sufficient funds in the 2017/18 budget to meet the Building & Infrastructure Renewals Ratio. The Asset Maintenance Ratio, however, the works schedule was not complete.

The Real Operating Expenditure per capita is trending downwards. This is a reflection of Council's process improvements and commitment to gaining efficiency in operations.

The Financial Statements for the period ended 30 June 2018 reveal that Council's finances provide a reasonable basis for funding the coming year's operations.



# Kiama Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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*A Municipality working together for a  
healthy, sustainable & caring community*



Kiama Municipal Council

General Purpose Financial Statements  
for the year ended 30 June 2018

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Overview

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

11 Manning Street  
Kiama NSW 2533

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

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

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

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

## Kiama Municipal 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.

Kiama Municipal Council

General Purpose Financial Statements  
for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 16 October 2018.



Mark Honey  
Mayor  
16 October 2018



Andrew Sloan  
Councillor  
16 October 2018



Kerry McMurray  
General Manager  
16 October 2018



Robert Owens  
Responsible Accounting Officer  
16 October 2018

Financial Statements 2018

## Kiama Municipal Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
21,140		Rates and annual charges	20,883	19,838
16,856		User charges and fees	19,440	18,678
1,734		Interest and investment revenue	1,015	1,844
2,011		Other revenues	3,854	3,271
12,756		Grants and contributions provided for operating purposes	9,524	11,712
2,932		Grants and contributions provided for capital purposes	2,911	16,855
<i>Other income:</i>				
3,807		Net gains from the disposal of assets	-	-
-		Fair value increment on investment property	1,216	1,705
-		Net share of interests in joint ventures and associates using the equity method	68	50
<b>61,236</b>		<b>Total income from continuing operations</b>	<b>58,911</b>	<b>73,953</b>
<b>Expenses from continuing operations</b>				
24,510		Employee benefits and on-costs	26,406	24,825
195		Borrowing costs	156	221
18,926		Materials and contracts	18,781	18,159
6,448		Depreciation and amortisation	7,116	6,556
3,625		Other expenses	3,110	3,132
-		Net losses from the disposal of assets	3,204	328
<b>53,704</b>		<b>Total expenses from continuing operations</b>	<b>58,773</b>	<b>53,221</b>
<b>7,532</b>		<b>Operating result from continuing operations</b>	<b>138</b>	<b>20,732</b>
<b>7,532</b>		<b>Net operating result for the year</b>	<b>138</b>	<b>20,732</b>
7,532		Net operating result attributable to Council	138	20,732
4,600		Net operating result for the year before grants and contributions provided for capital purposes	(2,773)	3,877

This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2018

## Kiama Municipal Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>138</b>	<b>20,732</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	1,483	–
Other comprehensive income – joint ventures and associates	17b	2	(2)
Other movements in reserves		2,950	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>4,435</b>	<b>(2)</b>
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on revaluation of other reserves	12	2,950	–
Other movements		(2,950)	–
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>–</b>	<b>–</b>
<b>Total other comprehensive income for the year</b>		<b>4,435</b>	<b>(2)</b>
<b>Total comprehensive income for the year</b>		<b>4,573</b>	<b>20,730</b>
Total comprehensive income attributable to Council		4,573	20,730

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This statement should be read in conjunction with the accompanying notes.

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## Kiama Municipal Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	Restated 2017	Restated 1 July 2016
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6a	10,117	5,104	418
Investments	6b	23,000	34,278	35,995
Receivables	7	2,062	2,023	2,602
Inventories	8	192	243	227
Other	8	–	5	58
Non-current assets classified as 'held for sale'	9	3,750	3,756	3,729
<b>Total current assets</b>		<b>39,121</b>	<b>45,409</b>	<b>43,029</b>
<b>Non-current assets</b>				
Receivables	7	489	551	552
Infrastructure, property, plant and equipment	10, 15	357,285	345,662	326,444
Investment property	11	81,269	80,053	78,075
Intangible assets	12	5,350	2,400	2,400
Investments accounted for using the equity method	17	227	157	109
<b>Total non-current assets</b>		<b>444,620</b>	<b>428,823</b>	<b>407,580</b>
<b>TOTAL ASSETS</b>		<b>483,741</b>	<b>474,232</b>	<b>450,609</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	13	73,032	68,206	65,003
Income received in advance	13	996	723	76
Borrowings	13	892	654	843
Provisions	14	6,928	6,654	6,766
<b>Total current liabilities</b>		<b>81,848</b>	<b>76,237</b>	<b>72,688</b>
<b>Non-current liabilities</b>				
Borrowings	13	2,458	3,136	3,789
Provisions	14	128	125	128
<b>Total non-current liabilities</b>		<b>2,586</b>	<b>3,261</b>	<b>3,917</b>
<b>TOTAL LIABILITIES</b>		<b>84,434</b>	<b>79,498</b>	<b>76,605</b>
<b>Net assets</b>		<b>399,307</b>	<b>394,734</b>	<b>374,004</b>
<b>EQUITY</b>				
Accumulated surplus		209,547	209,407	188,677
Revaluation reserves	15	186,810	185,327	185,327
Other reserves		2,950	–	–
<b>Total equity</b>		<b>399,307</b>	<b>394,734</b>	<b>374,004</b>

This Statement should be read in conjunction with the accompanying Notes.

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Kiama Municipal Council

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

\$ '000	Notes	2018			2017			Restated Total equity
		Accumulated surplus	IPP&E revaluation reserve	Other reserves (specify)	Accumulated surplus	IPP&E revaluation reserve	Other reserves (specify)	
<b>Opening balance</b>		209,407	185,327	–	188,677	196,862	–	<b>385,539</b>
Correction of prior period errors	15 (b)	–	–	–	–	(11,535)	–	<b>(11,535)</b>
<b>Restated opening balance</b>		<b>209,407</b>	<b>185,327</b>	<b>–</b>	<b>188,677</b>	<b>185,327</b>	<b>–</b>	<b>374,004</b>
Net operating result for the year prior to correction of errors and changes in accounting policies								
<b>Net operating result for the year</b>		<b>138</b>	<b>–</b>	<b>–</b>	<b>20,732</b>	<b>–</b>	<b>–</b>	<b>20,732</b>
<b>Other comprehensive income</b>		<b>138</b>	<b>–</b>	<b>–</b>	<b>20,732</b>	<b>–</b>	<b>–</b>	<b>20,732</b>
– Gain (loss) on revaluation of IPP&E	10a	–	1,483	–	–	–	–	–
– Gain (loss) on revaluation of other reserves	12	–	–	2,950	–	–	–	–
– Joint ventures and associates	17b	2	–	–	(2)	–	–	(2)
<b>Other comprehensive income</b>		<b>2</b>	<b>1,483</b>	<b>2,950</b>	<b>(2)</b>	<b>–</b>	<b>–</b>	<b>(2)</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>140</b>	<b>1,483</b>	<b>2,950</b>	<b>20,730</b>	<b>–</b>	<b>–</b>	<b>20,730</b>
<b>Equity – balance at end of the reporting period</b>		<b>209,547</b>	<b>186,810</b>	<b>2,950</b>	<b>209,407</b>	<b>185,327</b>	<b>–</b>	<b>394,734</b>

This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2018

## Kiama Municipal Council

## Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
20,382			20,818	19,961
17,308			19,552	19,504
1,631			1,040	1,702
16,325			12,401	28,957
–			–	69
1,034			4,087	3,301
<b>Payments:</b>				
(24,467)			(26,129)	(24,940)
(17,494)			(16,989)	(17,948)
(195)			(156)	(221)
–			(82)	–
(3,663)			62	(172)
<b>10,861</b>		<b>16b</b>	<b>14,604</b>	<b>30,213</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
4,000			37,278	35,995
2,000			–	–
284			1,615	767
<b>Payments:</b>				
–			(23,025)	(37,279)
–			–	(273)
(34,118)			(25,019)	(26,955)
(7,700)			–	60
<b>(35,534)</b>			<b>(9,151)</b>	<b>(27,685)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
32,500			–	–
<b>Payments:</b>				
(815)			(440)	(842)
<b>31,685</b>			<b>(440)</b>	<b>(842)</b>
<b>7,012</b>			<b>5,013</b>	<b>1,686</b>
12,102		16a	5,104	3,418
<b>19,114</b>		16a	<b>10,117</b>	<b>5,104</b>
Additional Information:				
		6b	23,000	34,278
			<b>33,117</b>	<b>39,382</b>

This statement should be read in conjunction with the accompanying notes.

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## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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## Kiama Municipal 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 18/09/2018.

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

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

#### Basis of preparation

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

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

Full dollars have been used in Note 23 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 21 – 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.

## Kiama Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

##### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of investment properties –refer Note 11,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (iii) employee benefit provisions – refer Note 14.

##### **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 the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Waste business unit
- Kiama Coast Holiday Parks
- Blue Haven Retirement Village
- Kiama Leisure Centre

##### **(b) The Trust Fund**

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

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

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

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

## Kiama Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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*

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.

Kiama Municipal Council

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

Note 1. Basis of preparation (continued)

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

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

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

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

Kiama Municipal Council

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

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	–	–	1,472	1,349	(1,472)	(1,349)	–	–	–	–
Corporate Services	2,281	4,315	7,523	5,452	(5,242)	(1,137)	1,945	2,532	92,855	78,658
Community Services	5,797	6,550	7,665	7,550	(1,868)	(1,000)	2,413	3,328	47,972	16,067
Environmental Services	6,814	6,688	7,733	7,367	(919)	(679)	9	77	670	1,463
Engineering & Works	4,269	16,685	18,287	16,409	(14,018)	276	2,105	1,685	228,645	259,109
Commercial Activities	21,579	20,845	16,093	15,094	5,486	5,751	3,534	1,531	113,372	118,778
Share of gains/(losses) in associates and joint ventures (using the equity method)	68	50	–	–	68	50	–	–	227	157
General purpose income	18,103	18,820	–	–	18,103	18,820	–	2,435	–	–
<b>Total functions and activities</b>	<b>58,911</b>	<b>73,953</b>	<b>58,773</b>	<b>53,221</b>	<b>138</b>	<b>20,732</b>	<b>10,006</b>	<b>11,588</b>	<b>483,741</b>	<b>474,232</b>

## Kiama Municipal Council

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

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

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

##### Governance

Costs relating to the Council’s role as a component of democratic government, including elections, members’ fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

##### Corporate Services

Corporate and other support, members services, risk management, tourism.

##### Community Services

Administration, community centre, youth services, aged and disabled, home nursing, family history centre, public libraries other community services.

##### Environmental Services

Administration, property maintenance, animal control, beach control, enforcement of local government regulations, food control, building control, waste management, public conveniences, public halls, immunisation, town planning, environmental protection.

##### Engineering & Works

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, parking areas, bus shelters, fire protection, RTA works, street lighting, emergency services, street cleaning, public cemeteries, swimming pools, sporting grounds, parks & gardens, private works, stormwater drainage, engineering support services.

##### Commercial Activities

Caravan parks, real estate development, indoor sports complex, retirement village & waste unit.



## Kiama Municipal Council

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

## Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	13,441	12,962
Farmland	573	565
Business	1,176	1,141
<b>Total ordinary rates</b>	<b>15,190</b>	<b>14,668</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	5,227	4,933
Stormwater management services	214	–
Waste management services (non-domestic)	252	237
<b>Total annual charges</b>	<b>5,693</b>	<b>5,170</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>20,883</b>	<b>19,838</b>

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

**Accounting policy for rates and annual charges**

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

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

**(b) User charges and fees****Specific user charges** (per s.502 – specific 'actual use' charges)

Contract plant and truck hire	964	1,273
Trade waste	99	104
<b>Total specific user charges</b>	<b>1,063</b>	<b>1,377</b>

**Other user charges and fees****(i) Fees and charges – statutory and regulatory functions (per s.608)**

Building services – other	161	197
Planning and building regulation	667	822
Registration fees	29	21
Section 603 certificates	44	53
<b>Total fees and charges – statutory/regulatory</b>	<b>901</b>	<b>1,093</b>

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(b) User charges and fees (continued)</b>		
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Blue Haven aged care	2,779	2,824
Blue Haven care – in home support packages	2,170	1,911
Council properties	704	537
Engineering services	208	149
Holiday parks	9,011	8,096
Lease rentals	–	78
Leisure centre	1,766	1,820
Library and family history centre	83	111
Public cemeteries	269	252
Saddleback mountain tower	131	81
Sundry sales	–	2
Waste disposal tipping fees	131	121
Other	224	226
<b>Total fees and charges – other</b>	<b>17,476</b>	<b>16,208</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>19,440</b>	<b>18,678</b>

**Accounting policy for user charges and fees**

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

**(c) Interest and investment revenue (including losses)****Interest**

– Overdue rates and annual charges (incl. special purpose rates)	33	33
– Cash and investments	957	1,811
<b>Fair value adjustments</b>		
– Fair valuation movements in investments (at fair value or held for trading)	25	–
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>1,015</b>	<b>1,844</b>

**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	33	33
General Council cash and investments	885	1,684

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	97	127
<b>Total interest and investment revenue recognised</b>	<b>1,015</b>	<b>1,844</b>

**Accounting policy for interest and investment revenue**

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

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
<b>(d) Other revenues</b>			
Rental income – investment property	11	37	79
Rental income – other council properties		115	99
Fines – parking		37	56
Fines – other		77	34
Legal fees recovery – rates and charges (extra charges)		80	67
Deferred payment liabilities amortisation		1,747	1,743
Diesel fuel rebate		39	51
Insurance claim recoveries		238	90
Motor vehicle leaseback		220	239
Recycling income (non-domestic)		52	14
Section 88 rebate		65	87
Workers comp. refund		176	–
Option fee property sale		80	350
Other		891	362
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>3,854</u></b>	<b><u>3,271</u></b>

**Accounting policy for other revenue**

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

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

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

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

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

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance	1,641	2,260	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	238	175	–	–
<b>Total general purpose</b>	<b>1,879</b>	<b>2,435</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	–	67	–	–
Blue Haven care – in home support packages	239	–	–	–
Blue Haven retirement village	3,025	3,296	–	32
Bushfire and emergency services	150	129	–	–
CCTV	–	–	–	64
Community transport	279	304	–	–
Cultural development	5	59	–	–
Dementia friendly community program	32	15	–	–
Domestic assistance	–	492	–	–
Economic development	5	5	–	–
Environmental protection	23	24	–	–
Heritage and cultural	6	6	–	–
Library	66	–	83	–
Library – per capita	–	57	–	–
Library – special projects	–	7	–	200
LIRS subsidy	113	98	–	–
Organics and recycling	3	21	–	20
Regional carer respite centre	1,144	1,943	–	–
Restart – infrastructure	–	–	462	550
Road safety program	61	26	–	–
Street lighting	42	45	–	–
Traffic facilities/black spot program	–	–	174	64
Transport (roads to recovery)	425	701	–	–
Youth opportunities	43	50	–	–
Community support	1,215	830	–	–
Life saving observation tower	–	–	35	29
Youth week	–	1	–	–
Amenities Block Upgrades	–	–	124	–
Leisure Centre Carpark	–	–	74	–
Ambulance Carpark	–	–	49	–
Jamberoo Pool Refurbishment	–	–	250	–
Other	–	8	–	10
<b>Total specific purpose</b>	<b>6,876</b>	<b>8,184</b>	<b>1,251</b>	<b>969</b>
<b>Total grants</b>	<b>8,755</b>	<b>10,619</b>	<b>1,251</b>	<b>969</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	7,319	5,530	250	125
– State funding	1,154	5,002	1,001	74
– Other funding	282	87	–	770
	<b>8,755</b>	<b>10,619</b>	<b>1,251</b>	<b>969</b>

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## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	827	2,123
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>827</b>	<b>2,123</b>
<b>Total developer contributions</b>	25	<b>–</b>	<b>–</b>	<b>827</b>	<b>2,123</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Community bus		43	71	–	–
Community services		124	85	–	–
Regional carer respite centre		–	244	–	–
RMS contributions (regional roads, block grant)		602	621	–	–
RMS contributed assets		–	–	–	13,642
Contributed assets		–	–	833	–
Other		–	72	–	121
<b>Total other contributions – cash</b>		<b>769</b>	<b>1,093</b>	<b>833</b>	<b>13,763</b>
<b>Total other contributions</b>		<b>769</b>	<b>1,093</b>	<b>833</b>	<b>13,763</b>
<b>Total contributions</b>		<b>769</b>	<b>1,093</b>	<b>1,660</b>	<b>15,886</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>9,524</b>	<b>11,712</b>	<b>2,911</b>	<b>16,855</b>

**Accounting policy for contributions**

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

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

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

Financial Statements 2018

## Kiama Municipal Council

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

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

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Add: operating grants recognised in the current period but not yet spent	474	–
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>474</u>	<u>–</u>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	299	390
Add: capital grants recognised in the current period but not yet spent	12	–
Less: capital grants recognised in a previous reporting period now spent	(299)	(91)
<b>Unexpended and held as restricted assets (capital grants)</b>	<u>12</u>	<u>299</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	5,116	4,306
Add: contributions recognised in the current period but not yet spent	924	2,422
Less: contributions recognised in a previous reporting period now spent	(1,794)	(1,612)
<b>Unexpended and held as restricted assets (contributions)</b>	<u>4,246</u>	<u>5,116</u>

Item 3.1

Attachment 1

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations

\$ '000	2018	2017
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	21,242	19,873
Employee leave entitlements (ELE)	2,843	2,300
Superannuation	2,289	2,207
Workers' compensation insurance	636	747
Fringe benefit tax (FBT)	50	61
Training costs (other than salaries and wages)	199	164
Other	47	40
<b>Total employee costs</b>	<b>27,306</b>	<b>25,392</b>
Less: capitalised costs	(900)	(567)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>26,406</b>	<b>24,825</b>
Number of 'full-time equivalent' employees (FTE) at year end	292	263

**Accounting policy for employee benefits and on-costs**

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

**Retirement benefit obligations**

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

**Superannuation plans**

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 19 for more information.

**(b) Borrowing costs****Interest bearing liability costs**

Interest on loans	124	176
Interest on advances	31	45
Other debts	1	–
<b>Total interest bearing liability costs expensed</b>	<b>156</b>	<b>221</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>156</b>	<b>221</b>

**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.

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(c) Materials and contracts</b>		
Raw materials and consumables	12,237	11,512
Contractor and consultancy costs	5,952	6,294
Auditors remuneration <sup>(2)</sup>	66	67
Legal expenses:		
– Legal expenses: planning and development	420	113
– Legal expenses: debt recovery	–	67
– Legal expenses: other	95	30
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	11	76
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>18,781</b>	<b>18,159</b>

**Operating leases**

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

**1. Operating lease payments are attributable to:**

Other	11	76
	<b>11</b>	<b>76</b>

**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	65	65
<b>Remuneration for audit and other assurance services</b>	<b>65</b>	<b>65</b>
<b>Total Auditor-General remuneration</b>	<b>65</b>	<b>65</b>

**Non NSW Auditor-General audit firms:****(i) Audit and other assurance services**

Other audit and assurance services	1	2
<b>Remuneration for audit and other assurance services</b>	<b>1</b>	<b>2</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>1</b>	<b>2</b>
<b>Total Auditor remuneration</b>	<b>66</b>	<b>67</b>



## Kiama Municipal Council

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

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

\$ '000	Notes	2018	2017
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,257	1,247
Office equipment		235	175
Furniture and fittings		91	75
Land improvements (depreciable)		24	121
<b>Infrastructure:</b>			
– Buildings – non-specialised		368	390
– Buildings – specialised		1,565	1,482
– Other structures		102	231
– Roads		2,354	1,909
– Bridges		154	318
– Footpaths		281	234
– Stormwater drainage		301	288
– Swimming pools		8	–
– Other open space/recreational assets		287	–
<b>Other assets:</b>			
– Library books		73	73
– Other		16	13
<b>Total gross depreciation and amortisation costs</b>		<b>7,116</b>	<b>6,556</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</b>		<b>7,116</b>	<b>6,556</b>

## Kiama Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

###### Depreciation and amortisation

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

###### Impairment of non-financial assets

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

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

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

###### Impairment of financial assets

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

## Kiama Municipal Council

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

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

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Bad and doubtful debts	–	2
Contributions/levies to other levels of government		
– Crown reserve levy	283	253
– Emergency services levy (includes FRNSW, SES, and RFS levies)	257	255
Councillor expenses – mayoral fee	42	24
Councillor expenses – councillors' fees	170	99
Councillors' expenses (incl. mayor) – other (excluding fees above)	76	59
Donations, contributions and assistance to other organisations (Section 356)	250	210
Election expenses	–	178
Electricity and heating	817	685
Holiday parks promotion/membership	99	107
Insurance	435	441
Kiama tourism	–	160
Street lighting	351	349
Subscriptions and publications	38	32
Telephone and communications	292	278
<b>TOTAL OTHER EXPENSES</b>	<b>3,110</b>	<b>3,132</b>

**Accounting policy for other expenses**

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

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
<b>Property</b> (excl. investment property)	10		
Proceeds from disposal – property		989	–
Less: carrying amount of property assets sold/written off		(755)	–
<b>Net gain/(loss) on disposal</b>		<b>234</b>	<b>–</b>
<b>Plant and equipment</b>	10		
Proceeds from disposal – plant and equipment		626	765
Less: carrying amount of plant and equipment assets sold/written off		(560)	(701)
<b>Net gain/(loss) on disposal</b>		<b>66</b>	<b>64</b>
<b>Infrastructure</b>	10		
Proceeds from disposal – infrastructure		–	2
Less: carrying amount of infrastructure assets sold/written off		(3,504)	(454)
<b>Net gain/(loss) on disposal</b>		<b>(3,504)</b>	<b>(452)</b>
<b>Real estate assets held for sale</b>	8		
Less: carrying amount of real estate assets sold/written off		–	60
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>60</b>
<b>Financial assets</b> <sup>(1)</sup>	6		
Proceeds from disposal/redemptions/maturities – financial assets		37,278	35,995
Less: carrying amount of financial assets sold/redeemed/matured		(37,278)	(35,995)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(3,204)</b>	<b>(328)</b>

**Accounting policy for disposal of assets**

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

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	10,034	4,522
Cash-equivalent assets		
– Deposits at call	83	582
<b>Total cash and cash equivalents</b>	<b>10,117</b>	<b>5,104</b>

**Accounting policy for cash and cash equivalents**

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

## Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
<b>Investments</b>				
a. 'Held to maturity'	23,000	–	34,278	–
<b>Total investments</b>	<b>23,000</b>	<b>–</b>	<b>34,278</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>33,117</b>	<b>–</b>	<b>39,382</b>	<b>–</b>
<b>Held to maturity investments</b>				
Long term deposits	23,000	–	34,278	–
<b>Total</b>	<b>23,000</b>	<b>–</b>	<b>34,278</b>	<b>–</b>

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

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

**(a) Held to maturity investments**

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

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 6(b). Investments (continued)

**Recognition and de-recognition**

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

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

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	33,117	–	39,382	–
<b>attributable to:</b>				
External restrictions (refer below)	7,545	–	7,759	–
Internal restrictions (refer below)	24,999	–	31,482	–
Unrestricted	573	–	141	–
	<b>33,117</b>	<b>–</b>	<b>39,382</b>	<b>–</b>

\$ '000	2018	2017
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## Details of restrictions

**External restrictions – other**

Developer contributions – general	4,245	5,114
Specific purpose unexpended grants	486	299
Domestic waste management	2,814	2,346
<b>External restrictions – other</b>	<b>7,545</b>	<b>7,759</b>
<b>Total external restrictions</b>	<b>7,545</b>	<b>7,759</b>

Financial Statements 2018

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>Internal restrictions</b>		
Employees leave entitlement	2,400	2,400
Carry over works	3,025	2,399
Blue Haven ILU	151	5,732
Blue Haven care – residential	1,017	5,834
CACP	263	111
Community bus	365	264
Computer	600	880
Contingencies	500	780
Council ELEctions	100	55
Fleet replacement	100	100
Holiday parks	4,679	1,779
Land development	3,823	2,914
Organisational development	200	200
Pavilion	113	210
Plant replacement	2,160	2,006
Property insurance	120	120
Regional carer respite centre	1,216	1,380
S7.11 recoupments	2,321	2,183
Waste and sustainability	403	403
Waste business unit	740	1,082
Arts precinct	59	85
Future project development	70	70
Energy efficiency	315	315
Leisure centre renewal	180	180
Risk Improvement Incentive	79	–
<b>Total internal restrictions</b>	<b>24,999</b>	<b>31,482</b>
<b>TOTAL RESTRICTIONS</b>	<b>32,544</b>	<b>39,241</b>

Item 3.1

Attachment 1

## Kiama Municipal Council

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

## Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	214	127	185	91
Interest and extra charges	16	9	2	56
User charges and fees	804	–	643	–
Private works	39	–	39	–
Accrued revenues				
– Interest on investments	347	–	364	–
– Other income accruals	100	–	54	–
Government grants and subsidies	90	–	56	–
Loans to sporting clubs	–	–	4	–
Net GST receivable	365	–	213	–
Other – advances to public	–	353	–	404
Other – holiday park charges	80	–	387	–
Employee deductions and on costs	8	–	67	–
Other debtors	79	–	89	–
<b>Total</b>	<b>2,142</b>	<b>489</b>	<b>2,103</b>	<b>551</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(35)	–	(35)	–
User charges and fees	(45)	–	(45)	–
<b>Total provision for impairment – receivables</b>	<b>(80)</b>	<b>–</b>	<b>(80)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>2,062</b>	<b>489</b>	<b>2,023</b>	<b>551</b>
<b>Externally restricted receivables</b>				
<b>Domestic waste management</b>	–	–	139	–
<b>Total external restrictions</b>	<b>–</b>	<b>–</b>	<b>139</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>2,062</b>	<b>489</b>	<b>1,884</b>	<b>551</b>
<b>TOTAL NET RECEIVABLES</b>	<b>2,062</b>	<b>489</b>	<b>2,023</b>	<b>551</b>
<b>Movement in provision for impairment of receivables</b>			<b>2018</b>	<b>2017</b>
Balance at the beginning of the year			80	80
<b>Balance at the end of the year</b>			<b>80</b>	<b>80</b>



## Kiama Municipal 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.

## Kiama Municipal 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
<b>(a) Inventories</b>				
<b>Inventories at cost</b>				
Stores and materials	171	–	172	–
Trading stock	21	–	71	–
<b>Total inventories at cost</b>	<b>192</b>	<b>–</b>	<b>243</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>192</b>	<b>–</b>	<b>243</b>	<b>–</b>
<b>(b) Other assets</b>				
Prepayments	–	–	5	–
<b>TOTAL OTHER ASSETS</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>–</b>
<b>Externally restricted assets</b>				
There are no restrictions applicable to the above assets.				
<b>(i) Other disclosures</b>				
<b>Movements:</b>				
Real estate assets at beginning of the year	–	–	–	–
– Purchases and other costs	–	–	(3,810)	–
– Transfers in from (out to) Note 10	–	–	3,750	–
– WDV of sales (expense)	5	–	60	–
<b>Total real estate for resale</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

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

**Inventory held for distribution**

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

**Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(i) Non-current assets and disposal group assets</b>				
<b>Non-current assets 'held for sale'</b>				
Land	3,750	–	3,756	–
<b>Total non-current assets 'held for sale'</b>	<b>3,750</b>	<b>–</b>	<b>3,756</b>	<b>–</b>
<b>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</b>				
	<b>3,750</b>	<b>–</b>	<b>3,756</b>	<b>–</b>

**(ii) Details of assets and disposal groups**

Council has a site available for sale over which an option to purchase has been granted which will expire during the 2018/19 financial year.

\$ '000	Assets 'held for sale'	
	2018	2017
<b>(iii) Reconciliation of non-current assets 'held for sale'</b>		
<b>Opening balance</b>	3,756	3,729
<b>Balance still unsold after 12 months:</b>	3,756	3,729
<b>Plus new transfers in:</b>		
– Purchases (Land) during the year	–	27
Balancing Item – requires re-classification above!!	(6)	–
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<b>3,750</b>	<b>3,756</b>

**(iii) Reconciliation of non-current assets 'held for sale'**
**Accounting policy for non-current assets classified as held for sale**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Kiama Municipal Council

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

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

Asset class	as at 30/6/2017			Asset movements during the reporting period						as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions	Disposals	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (A/R)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>												
Capital work in progress	4,403	-	4,403	-	-	-	-	(3,065)	-	12,810	-	12,810
Plant and equipment	17,855	10,101	7,554	-	3,317	(560)	(1,297)	(1)	-	19,571	10,518	9,053
Office equipment	3,415	2,505	910	5	161	-	(235)	-	-	3,581	2,740	841
Furniture and fittings	2,741	2,294	447	-	148	-	(91)	-	-	2,889	2,385	504
<b>Land:</b>												
- Operational land	33,526	-	33,526	5	-	(755)	-	(6)	7,567	40,284	-	40,284
- Community land	59,027	-	59,027	63	-	-	-	-	-	59,090	-	59,090
- Land under roads (per 30/6/08)	28	-	28	-	-	-	-	-	-	28	-	28
- Land improvements - non-depreciable	896	-	896	59	29	-	-	-	-	984	-	984
- Land improvements - depreciable	724	370	354	1	-	-	(24)	-	-	725	394	331
<b>Infrastructure:</b>												
- Buildings - non-specialised	16,842	7,045	9,797	268	-	-	(368)	2	1,982	17,574	5,873	11,701
- Buildings - specialised	91,990	40,341	51,219	1,042	325	-	(1,505)	4,517	(8,000)	96,965	48,833	48,132
- Other structures	11,551	2,218	9,332	4	50	-	(102)	1	-	11,617	5,332	6,285
- Roads	144,417	52,809	91,608	1,340	440	(3,188)	(2,354)	223	-	143,166	55,099	88,067
- Bridges	16,084	6,201	9,883	248	-	-	(154)	(1,231)	-	15,218	6,341	8,877
- Footpaths	13,193	4,501	8,692	105	288	-	(281)	22	-	13,809	4,785	9,024
- Bulk earthworks (non-depreciable)	23,407	-	23,407	10	387	(317)	-	-	-	23,487	-	23,487
- Stormwater drainage	37,031	9,293	27,738	19	164	-	(301)	139	-	37,349	9,590	27,759
- Sewerage ponds	399	231	168	19	66	-	(8)	-	-	481	259	222
- Other open space/recreational assets	12,598	4,247	8,259	123	469	-	(297)	1	-	13,129	4,534	8,595
<b>Other assets:</b>												
- Library books	1,025	1,371	454	-	93	-	(73)	-	-	1,018	1,444	474
- Other	120	46	74	-	-	-	(96)	-	-	120	63	57
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>482,286</b>	<b>146,694</b>	<b>345,662</b>	<b>3,849</b>	<b>18,108</b>	<b>(4,820)</b>	<b>(7,116)</b>	<b>-</b>	<b>1,483</b>	<b>616,476</b>	<b>168,190</b>	<b>367,286</b>

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

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

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

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

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	10 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 25
Computer equipment	4		
Vehicles	5 to 8		
Heavy plant/road making equipment	5 to 8		
Other plant and equipment	5 to 15		
<b>Buildings</b>		<b>Stormwater assets</b>	
Buildings: masonry	50 to 100	Drains	120
Buildings: other	20 to 40	Culverts	100
		Flood control structures	20 to 120
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface (spray)	12	Bulk earthworks	Infinite
Sealed roads: surface (AC)	25	Swimming pools	50 to 100
Sealed roads: structure	80 to 100	Other open space/recreational assets	15 to 95
Unsealed roads	20	Other infrastructure	15 to 95
Bridge: concrete	100		
Bridge: other	55		

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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.

**Land under roads**

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

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

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

**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".

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

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

\$ '000	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Domestic waste management</b>						
Plant and equipment	3,600	2,656	944	3,028	2,852	176
Land						
– Operational land	425	–	425	140	–	140
<b>Total DWM</b>	<b>4,025</b>	<b>2,656</b>	<b>1,369</b>	<b>3,168</b>	<b>2,852</b>	<b>316</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>4,025</b>	<b>2,656</b>	<b>1,369</b>	<b>3,168</b>	<b>2,852</b>	<b>316</b>

## Kiama Municipal Council

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

## Note 11. Investment property

\$ '000	2018	2017
<b>(a) Investment property at fair value</b>		
<u>Investment property on hand</u>	<u>81,269</u>	<u>80,053</u>
<b>Reconciliation of annual movement:</b>		
Opening balance	80,053	78,075
– Capitalised expenditure – this year	–	273
– Net gain/(loss) from fair value adjustments	1,216	1,705
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b><u>81,269</u></b>	<b><u>80,053</u></b>
<b>(b) Valuation basis</b>		
The basis of valuation of investment property is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.		
The 2018 revaluations were based on independent assessments made by: (name and qualifications here).		
<b>(c) Contractual obligations at reporting date</b>		
Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.		
<b>(d) Leasing arrangements – Council as lessor</b>		
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	81	82
Later than 1 year but less than 5 years	198	58
<b>Total minimum lease payments receivable</b>	<b><u>279</u></b>	<b><u>140</u></b>

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Investment property (continued)

\$ '000	2018	2017
<b>(e) Investment property income and expenditure – summary</b>		
<b>Rental income from investment property:</b>		
– Minimum lease payments	37	79
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(98)	(21)
– that did not generate rental income	(838)	(872)
<b>Net revenue contribution from investment property</b>	<b>(899)</b>	<b>(814)</b>
plus:		
<b>Fair value movement for year</b>	<b>1,216</b>	<b>1,705</b>
<b>Total income attributable to investment property</b>	<b>317</b>	<b>891</b>

**Accounting policy for investment property**

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

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

## Note 12. Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Intangible assets are as follows:

<b>Opening values:</b>		
Gross book value (1/7)	2,400	2,400
<b>Net book value – opening balance</b>	<b>2,400</b>	<b>2,400</b>
<b>Movements for the year</b>		
– Revaluation	2,950	–
<b>Closing values:</b>		
Gross book value (30/6)	5,350	2,400
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE <sup>1</sup></b>	<b>5,350</b>	<b>2,400</b>

<sup>1</sup> The net book value of intangible assets represent:

– Bed licences	5,350	2,400
	<b>5,350</b>	<b>2,400</b>

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## Kiama Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Intangible assets (continued)

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##### **Bed Licences**

Council owns and operates Blue Haven Retirement Village which includes independent living unit a nursing home and hostel. Bed licences are granted by the Federal Department of Health & Ageing in perpetuity and their useful life is considered to be indefinite. As a result, licenses are not amortised but are subject to an annual impairment assessment

The licences issued by the Department of Health & Ageing are issued for no consideration and are recognised in Council's books at fair value, if and only if, it is probable that the future economic benefits attributable to the bed licences will flow to Council and the fair value of bed licences can be measured reliably.

Council obtained an independent valuation for the bed licences from an industry expert and the value recorded as at 30 June 2018 is in accordance with that valuation. Council also considered the recommendations in the Productivity Commission's report "Caring for Older Australians" and will monitor the Federal Government's progress with implementation of those recommendations and the impact (if any) that such implementation will have on future values of bed licences. The Federal Government has not as yet implemented any recommendations that would impact on the carrying value of these bed licences. Other organisations are also still showing a value in their financial statements.

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## Kiama Municipal Council

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

## Note 13. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	4,883	–	3,142	–
– Other expenditure accruals	44	–	352	–
Residential aged care accommodation bonds	7,546	–	7,149	–
Retirement village loan licence agreement	57,251	–	54,898	–
Security bonds, deposits and retentions	2,111	–	2,193	–
Return of Funding	773	–	–	–
Retirement village care packages	227	–	185	–
Interest on loans	23	–	63	–
ELE oncosts	174	–	224	–
<b>Total payables</b>	<b>73,032</b>	<b>–</b>	<b>68,206</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	996	–	723	–
<b>Total income received in advance</b>	<b>996</b>	<b>–</b>	<b>723</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	551	2,041	445	2,511
Government advances	341	417	209	625
<b>Total borrowings</b>	<b>892</b>	<b>2,458</b>	<b>654</b>	<b>3,136</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>74,920</b>	<b>2,458</b>	<b>69,583</b>	<b>3,136</b>

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

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

<sup>1</sup>: 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 20.

Financial Statements 2018

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 13. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	64,797	62,047
	<b>64,797</b>	<b>62,047</b>

**(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	2,956	(364)	–	–	–	2,592
Government advances	834	(76)	–	–	–	758
<b>TOTAL</b>	<b>3,790</b>	<b>(440)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,350</b>

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

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

Bank overdraft facilities <sup>(1)</sup>	2,000	2,000
Credit cards/purchase cards	175	200
<b>Total financing arrangements</b>	<b>2,175</b>	<b>2,200</b>

**Drawn facilities as at balance date:**

– Credit cards/purchase cards	57	155
<b>Total drawn financing arrangements</b>	<b>57</b>	<b>155</b>

**Undrawn facilities as at balance date:**

– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	118	45
<b>Total undrawn financing arrangements</b>	<b>2,118</b>	<b>2,045</b>

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

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Attachment 1

## Kiama Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 13. Payables and borrowings (continued)

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##### Accounting policy for payables and borrowings

###### Payables

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

###### Borrowings

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

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

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

###### Finance leases

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

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

## Kiama Municipal Council

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

## Note 14. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	1,840	–	1,719	–
Sick leave	640	–	567	–
Long service leave	4,154	128	4,055	125
ELE on-costs	294	–	313	–
<b>TOTAL PROVISIONS</b>	<b>6,928</b>	<b>128</b>	<b>6,654</b>	<b>125</b>

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

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

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

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

Provisions – employees benefits	4,824	4,478
	<b>4,824</b>	<b>4,478</b>

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 14. Provisions (continued)

\$ '000

## (c) Description of and movements in provisions

2018	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	
At beginning of year	1,719	567	4,180	313	6,779
Additional provisions	1,559	125	609	(19)	2,274
Amounts used (payments)	(1,482)	(72)	(570)	–	(2,124)
Remeasurement effects	44	20	63	–	127
<b>Total ELE provisions at end of year</b>	<b>1,840</b>	<b>640</b>	<b>4,282</b>	<b>294</b>	<b>7,056</b>

2017	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	
At beginning of year	1,677	686	4,255	276	6,894
Additional provisions	1,293	28	437	37	1,795
Amounts used (payments)	(1,290)	(122)	(576)	–	(1,988)
Remeasurement effects	39	(25)	64	–	78
<b>Total ELE provisions at end of year</b>	<b>1,719</b>	<b>567</b>	<b>4,180</b>	<b>313</b>	<b>6,779</b>

**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.

## Kiama Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 14. Provisions (continued)

##### Employee benefits

###### Short-term obligations

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

###### Other long-term employee benefit obligations

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

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

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

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

##### (a) Nature and purpose of reserves

###### Infrastructure, property, plant and equipment revaluation reserve

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

###### Available for sale financial investments revaluation reserve

The available for sale financial investments revaluation reserve is used to account for the fair value movements in all financial assets so classified that remain on hand at year end.

Upon sale, amounts in reserves are recognised in the Income Statement (in full) by way of transfer from the reserve.

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 15. 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

## Nature of prior-period error

Council has non-current assets for which a sale is highly probable and which are treated as Assets Held for Sale, in accordance with AASB 5.

Council also has non-current assets held for long term rental yield classified as investment properties. In prior years a number of these assets were recorded twice in the Financial Statements. Land and Buildings with a written down value of \$3.363million was held within Property Plant and Equipment along with being held as Assets Held for Sale. Land and Buildings with a written down value of \$11.457million was held within Property Plant and Equipment along with being held as Investment Properties.

The errors identified below have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2016) and taking the adjustment through to Revaluation Reserves at that date.

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

During the 2017/18 financial year Council discovered a total of \$3.357million of existing infrastructure assets, that had not previously been recognised within the Financial Statements. In accordance with AASB 108 these discoveries are treated as a prior period error.

The impact on depreciation expense in prior years has been assessed as immaterial by council and has not been adjusted.

## Changes to the opening Statement of Financial Position at 30 June 2017

Statement of Financial Position	Restated Balance 1 July, 2016	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Infrastructure: - Buildings Specialised	51,746	52,803	(1,584)	51,219
Land: - Operational Land	44,061	46,834	(13,308)	33,526
Infrastructure: - Stormwater Drainage	25,279	27,555	183	27,738
Infrastructure: - Footpaths	8,189	8,574	59	8,633
Infrastructure: - Roads	81,897	88,493	3,115	91,608
<b>Total Assets</b>	<b>211,172</b>	<b>224,259</b>	<b>(11,535)</b>	<b>212,724</b>
<b>Total Liabilities</b>		-	-	-
Revaluation Reserves		(196,862)	11,535	(185,327)
<b>Total equity</b>		<b>(196,862)</b>	<b>11,535</b>	<b>(185,327)</b>



Financial Statements 2018

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 16. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	10,117	5,104
<b>Balance as per the Statement of Cash Flows</b>		<b>10,117</b>	<b>5,104</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>138</b>	<b>20,732</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		7,116	6,556
Net losses/(gains) on disposal of assets		3,204	328
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(25)	–
– investment property		(1,216)	(1,705)
Share of net (profits) or losses of associates/joint ventures		(68)	(50)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		23	580
Decrease/(increase) in inventories		51	(16)
Decrease/(increase) in other assets		5	53
Increase/(decrease) in payables		1,741	227
Increase/(decrease) in other accrued expenses payable		(308)	160
Increase/(decrease) in other liabilities		3,666	3,463
Increase/(decrease) in employee leave entitlements		277	(115)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>14,604</b>	<b>30,213</b>

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## Kiama Municipal Council

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

## Note 17. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Joint ventures	68	50	227	157
<b>Total</b>	<b>68</b>	<b>50</b>	<b>227</b>	<b>157</b>

## (a) Joint arrangements

## (i) Joint ventures

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

## (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018		2017	
			2018	2017	2018	2017
Metro Pool	Joint venture	Net equity	83		28	
United Independent Pool	Joint venture	Net equity	143		129	
<b>Total carrying amounts – material joint ventures</b>			<b>226</b>		<b>157</b>	

## (b) Details

Name of entity	Principal activity	Place of business
Metro Pool	Public Liability & Prof Indemnity	Penrith
United Independent Pool	Property and vehicle etc.	Penrith

## (c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017
Metro Pool	0.6%	0.2%	0.6%	0.2%	11.1%	14.3%
United Independent Pool	1.7%	2.0%	1.7%	2.0%	6.3%	5.9%

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 17. Interests in other entities (continued)

\$ '000

## (d) Summarised financial information for joint ventures

Statement of financial position	Metro Pool		United Independent Pool	
	2018	2017	2018	2017
<b>Current assets</b>				
Cash and cash equivalents	1,220	28	1,158	506
Other current assets	6,909	5,738	5,759	6,239
<b>Non-current assets</b>	<b>16,220</b>	<b>18,168</b>	<b>5,989</b>	<b>5,889</b>
<b>Current liabilities</b>				
Current financial liabilities (excluding trade and other payables and provisions)	1,714	1,443	2,690	2,891
Other current liabilities	101	150	299	423
<b>Non-current liabilities</b>				
Non-current financial liabilities (excluding trade and other payables and provisions)	<b>8,985</b>	<b>10,730</b>	<b>1,148</b>	<b>2,830</b>
<b>Net assets</b>	<b>13,549</b>	<b>11,611</b>	<b>8,769</b>	<b>6,490</b>
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	11,611	9,422	6,492	7,288
Profit/(loss) for the period	1,938	2,189	2,277	(796)
<b>Closing net assets</b>	<b>13,549</b>	<b>11,611</b>	<b>8,769</b>	<b>6,492</b>
<b>Council's share of net assets (%)</b>	<b>0.6%</b>	<b>0.2%</b>	<b>1.7%</b>	<b>2.0%</b>
<b>Council's share of net assets (\$)</b>	<b>83</b>	<b>27</b>	<b>149</b>	<b>130</b>
<b>Statement of comprehensive income</b>				
Income	2,115	2,820	9,254	8,302
Interest income	1,077	1,049	419	585
Other expenses	(1,254)	(1,681)	(7,694)	(9,682)
<b>Profit/(loss) from continuing operations</b>	<b>1,938</b>	<b>2,188</b>	<b>1,979</b>	<b>(795)</b>
<b>Total comprehensive income</b>	<b>1,938</b>	<b>2,188</b>	<b>1,979</b>	<b>(795)</b>
<b>Share of income – Council (%)</b>	<b>2.8%</b>	<b>2.7%</b>	<b>0.7%</b>	<b>1.2%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>54</b>	<b>60</b>	<b>14</b>	<b>(10)</b>
<b>Total comprehensive income – Council (\$)</b>	<b>54</b>	<b>60</b>	<b>14</b>	<b>(10)</b>
<b>Summarised Statement of cash flows</b>				
Cash flows from operating activities	49	862	903	(1,115)
Cash flows from investing activities	(5)	(1,514)	(250)	(1)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>44</b>	<b>(652)</b>	<b>653</b>	<b>(1,116)</b>

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Kiama Municipal Council

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

Note 17. Interests in other entities (continued)

\$ '000

**Accounting policy for joint arrangements**

The Council has determined that it has only joint ventures.

**Joint ventures**

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

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

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

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

**(b) Unconsolidated structured entities**

Council did not consolidate the following structured entities:

**Kiama District Tourist Commerce and Industrial Association Limited (Kiama Tourism)**

The principal activities undertaken include the operation of the Tourism Centre.

The purpose of Kiama Tourism is to raise the profile and performance of the tourism industry within the Kiama Local Government Area.

Kiama Tourism is financed primarily by the retail operations, commission and a levy paid by Council.

**Nature of risks relating to the Unconsolidated Structured Entity**

Kiama Council has agreed to provide financial support to Kiama Tourism in form of a rental subsidy, commercial contribution towards Kiama Visitors Guide, Membership fees and a levy.

This agreement to provide financial support is outlined in the Memorandum of Understanding between the two organisations. This agreement is valid until 2018 with annual reviews.

	2018	2017
Losses (or expenses) incurred by Council relating to the Structured Entity	–	160,000
Income received by Council relating to the Structured Entity		
Rental Subsidy	–	63,079
	<b>2018</b>	<b>2017</b>
<b>Maximum exposure to loss from Council's interest in the Structured Entity</b>	–	160,000
<b>Difference – net asset/(net exposure) relating to the Structured Entity:</b>	–	(160,000)

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## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 17. Interests in other entities (continued)

\$ '000

## (b) Unconsolidated structured entities (continued)

**Current intention to provide financial support**

Council has a current intention to continue financial support as detailed in the Memorandum of Understanding between the two organisations.

**Illawarra Pilot Joint Organisation (IPJO)**

The Illawarra Pilot Joint Organisation was established to provide a new way for local councils and the NSW government to work together to deliver things that matter the most to regional communities.

The objectives and functions of the IPJO are:

- a) Regional Strategic Planning
- b) Inter-governmental collaboration
- c) Regional leadership and advocacy
- d) Creating or enhancing regional strategic capacity
- e) Regional service delivery

**Nature of risks relating to the Unconsolidated Structured Entity**

All member councils are required to pay a membership fee. Any losses would ultimately be borne by member councils.

	2018	2017
Losses (or expenses) incurred by Council relating to the Structured Entity	52,531	51,938
Income received by Council relating to the Structured Entity		
Administration fee	25,953	25,567
Contribution towards insurance	6,710	6,051
	<b>2018</b>	<b>2017</b>
<b>Maximum exposure to loss from Council's interest in the Structured Entity</b>	<b>52,531</b>	<b>51,938</b>
<b>Difference – net asset/(net exposure) relating to the Structured Entity:</b>	<b>(52,531)</b>	<b>(51,938)</b>

**Current intention to provide financial support**

Council has a current intention to continue financial support as detailed in the Charter between the two organisations.

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. Commitments for expenditure

\$ '000	2018	2017
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	58,629	–
<b>Investment property</b>		
– Buildings	25,666	–
<b>Total commitments</b>	<b>84,295</b>	<b>–</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	79,304	–
Later than one year and not later than 5 years	4,991	–
<b>Total payable</b>	<b>84,295</b>	<b>–</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	912	–
Future grants and contributions	13,797	–
Unexpended grants	3,920	–
Externally restricted reserves	2,940	–
Internally restricted reserves	2,726	–
New loans (to be raised)	60,000	–
<b>Total sources of funding</b>	<b>84,295</b>	<b>–</b>
<b>Details of capital commitments</b>		
The Council has entered into construction contract for the Aged Care Facility on the old hospital site. This project is due for completion September 2019. For further details of the loan with NSW Treasury Corporation please refer to Note 24		
<b>(b) Operating lease commitments (non-cancellable)</b>		
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>		
Within the next year	6	32
Later than one year and not later than 5 years	16	–
<b>Total non-cancellable operating lease commitments</b>	<b>22</b>	<b>32</b>
<b>Conditions relating to operating leases:</b>		
– All operating lease agreements are secured only against the leased asset.		
– No lease agreements impose any financial restrictions on Council regarding future debt etc.		
<b>(c) Investment property commitments</b>		
Non-capital expenditure on investment property committed for at the reporting date but not recognised in the financial statements as liabilities:		
Contractual obligations – repairs and maintenance	252	249
<b>Total commitments</b>	<b>252</b>	<b>249</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	252	249
<b>Total payable</b>	<b>252</b>	<b>249</b>

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## Kiama Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Contingencies and other liabilities/assets not recognised

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

##### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

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

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

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

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

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

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

##### (ii) Statewide Limited

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

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

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

##### (iii) Metro Pool

Council is a member of Metro Pool, a co-operative self insurance scheme established in 1990 to help stabilise insurance premium costs, achieve significant cost savings and long term benefits for member Councils through effective risk management. There are nine member Councils joined together to secure adequate public liability and professional indemnity cover. Financial contributions to the Pool are based on the relative size of each Council and incorporate a proportion of underlying claims experience so as to reflect risk exposure.

## Kiama Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### LIABILITIES NOT RECOGNISED (continued):

##### 1. Guarantees (continued)

##### (iv) United Independent Pools

United Independent Pools (UIP) is an incorporated organisation initially formed in 2005 by two Sydney based Local Government risk management pools - Westpool and Metro Pool. The UIP's provide risk management of property (industrial special risk), motor vehicle, Council officers statutory liabilities, and fidelity guarantee to cover the 19 member Councils. Council has adopted the equity method to account for the interest in Metro Pool and UIP. At the reporting date, there is no requirement for member Councils to fund any shortfall and no future funding is anticipated. Refer Note 19 for details.

##### (v) 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.

##### 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.



Kiama Municipal Council

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

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

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**ASSETS NOT RECOGNISED** (continued):

**(ii) Infringement notices/fines**

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

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

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

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

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Financial risk management

\$ '000

## Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	10,117	5,104	10,117	2,103
Investments				
– 'Held to maturity'	23,000	34,278	23,000	37,859
Receivables	2,551	2,574	–	2,574
<b>Total financial assets</b>	<b>35,668</b>	<b>41,956</b>	<b>33,117</b>	<b>42,536</b>
<b>Financial liabilities</b>				
Payables	73,032	68,206	73,032	68,206
Loans/advances	3,350	3,790	3,350	3,790
<b>Total financial liabilities</b>	<b>76,382</b>	<b>71,996</b>	<b>76,382</b>	<b>71,996</b>

Fair value is determined as follows:

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

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2018</b>				
Possible impact of a 10% movement in market values	2,600	2,600	(2,600)	(2,600)
Possible impact of a 1% movement in interest rates	260	260	(260)	(260)
<b>2017</b>				
Possible impact of a 10% movement in market values	3,527	3,527	(3,527)	(3,527)
Possible impact of a 1% movement in interest rates	352	352	(352)	(352)

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## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Financial risk management (continued)

\$ '000

## (b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	63%	85%	67%	75%
Overdue	37%	15%	33%	25%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

**(ii) Ageing of receivables – value****Rates and annual charges**

	2018	2017
Current	214	185
> 5 years overdue	127	91
	<u>341</u>	<u>276</u>

**Other receivables**

Current	1,799	1,558
31 – 60 days overdue	81	102
61 – 90 days overdue	44	159
> 91 days overdue	366	559
	<u>2,290</u>	<u>2,378</u>

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## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Financial risk management (continued)

\$ '000

## (c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables	0.00%	2,111	70,921	-	-	73,032	73,032
Loans and advances	5.60%	-	679	2,671	-	3,350	3,350
<b>Total financial liabilities</b>		<b>2,111</b>	<b>71,600</b>	<b>2,671</b>	<b>-</b>	<b>76,382</b>	<b>76,382</b>
<b>2017</b>							
Trade/other payables	0.00%	2,193	66,020	-	-	68,213	68,206
Loans and advances	5.60%	-	655	2,672	463	3,790	3,790
<b>Total financial liabilities</b>		<b>2,193</b>	<b>66,675</b>	<b>2,672</b>	<b>463</b>	<b>72,003</b>	<b>71,996</b>

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2018 and is not required to be audited.

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

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

**Note that for variations\* of budget to actual :**

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>21,140</b>	<b>20,883</b>	<b>(257)</b>	(1%)	<b>U</b>
<b>User charges and fees</b>	<b>16,856</b>	<b>19,440</b>	<b>2,584</b>	15%	<b>F</b>
Illawarra In Home Support Budget \$2.4mil is contained within Operating grants and contributions. Blue Haven Nursing Home Client Fees excluding government contributions short \$177k. Waste Management Truck & Plant Hire \$226k. Additional Commercial Rental Income \$174k.					
<b>Interest and investment revenue</b>	<b>1,734</b>	<b>1,015</b>	<b>(719)</b>	(41%)	<b>U</b>
Reduction in Interest income due to less surplus funds to invest from the KACCOE construction payments and internal loan from Councils Reserves					
<b>Other revenues</b>	<b>2,011</b>	<b>3,854</b>	<b>1,843</b>	92%	<b>F</b>
Amortisation for Independent Living Units \$1,066mil, Insurnace Recovery \$236k, Worker's Compensation Rebate \$175k, Akuna Street option \$120k					
<b>Operating grants and contributions</b>	<b>12,756</b>	<b>9,524</b>	<b>(3,232)</b>	(25%)	<b>U</b>
Actuals for Illawarra In Home Support \$2.1mil is contained within User charges and fees					
<b>Capital grants and contributions</b>	<b>2,932</b>	<b>2,911</b>	<b>(21)</b>	(1%)	<b>U</b>
Contributed Assets of \$4.19mil due to new subdivisions for Jamberoo Chapel and Huntingdale Estates and Kiama Ceder Grove Estate					

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>REVENUES (continued)</b>					
<b>Net gains from disposal of assets</b>	3,807	-	(3,807)	(100%)	U
Sale of Akuna Street was budgeted but did not happen					
<b>Fair value increment on investment property</b>	-	1,216	1,216	0%	F
Fair Value increment of investment based on 1% indexation of prior year valuation					
<b>Joint ventures and associates - net profits</b>	-	68	68	0%	F
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	24,510	26,406	(1,896)	(8%)	U
<b>Borrowing costs</b>	195	156	39	20%	F
<b>Materials and contracts</b>	18,926	18,781	145	1%	F
<b>Depreciation and amortisation</b>	6,448	7,116	(668)	(10%)	U
Additional depreciation due to contributed assets of \$13mil in the prior year.					
<b>Other expenses</b>	3,625	3,110	515	14%	F
Reduction in expenses compared to budget occurred in a number of expenses with major one being Contributions \$190k and Crown Reserve Levy \$104k					
<b>Budget variations relating to Council's Cash Flow Statement include:</b>					
<b>Cash flows from operating activities</b>	10,861	14,604	3,743	34.5%	F
<b>Cash flows from investing activities</b>	(35,534)	(9,151)	26,383	(74.2%)	F
<b>Cash flows from financing activities</b>	31,685	(440)	(32,125)	(101.4%)	U

Kiama Municipal Council

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

Note 22. Fair value measurement

\$ '000

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

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

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'
- Discontinued operations

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

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

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

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

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

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

2018	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Investment property</b>				
Other	-	-	1,769	1,769
Blue Haven ILU	-	-	79,500	79,500
<b>Total investment property</b>	<b>-</b>	<b>-</b>	<b>81,269</b>	<b>81,269</b>



## Kiama Municipal Council

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

## Note 22. Fair value measurement (continued)

\$ '000

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment		–	–	9,053	9,053
Office equipment		–	–	841	841
Furniture and fittings		–	–	504	504
Operational land	30/06/18	–	–	40,284	40,284
Community land		–	–	59,990	59,990
Land under roads		–	–	28	28
Land improvements – non-depreciable		–	–	984	984
Land improvements – depreciable		–	–	331	331
Buildings – non-specialised	30/06/13	–	–	11,701	11,701
Buildings – specialised	30/06/18	–	–	48,132	48,132
Other structures		–	–	6,285	6,285
Roads bridges footpaths	30/06/15	–	–	105,768	105,768
Bulk earthworks – non depreciable	30/06/15	–	–	23,487	23,487
Stormwater drainage	30/06/15	–	–	27,759	27,759
Library books		–	–	474	474
Other		–	–	57	57
Swimming Pools		–	–	202	202
Other Open Space Recreation Assets		–	–	8,595	8,595
Work in Progress		–	–	12,810	12,810
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>357,285</b>	<b>357,285</b>
<b>Non-recurring fair value measurements</b>					
<b>Non-current assets classified as 'held for sale'</b>					
Land		–	–	3,750	3,750
<b>Total NCA's classified as 'held for sale'</b>		<b>–</b>	<b>–</b>	<b>3,750</b>	<b>3,750</b>

Item 3.1

Attachment 1

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Investment property</b>					
Other	30/06/17	–	–	1,305	1,305
Blue Haven ILU	30/06/17	–	–	78,748	78,748
<b>Total investment property</b>		<b>–</b>	<b>–</b>	<b>80,053</b>	<b>80,053</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/17	–	–	7,554	7,554
Office equipment	30/06/17	–	–	910	910
Furniture and fittings	30/06/17	–	–	447	447
Operational land	30/06/18	–	–	33,526	33,526
Community land	30/06/17	–	–	59,927	59,927
Land under roads	30/06/17	–	–	28	28
Land improvements – non-depreciable	30/06/17	–	–	896	896
Land improvements – depreciable	30/06/17	–	–	354	354
Buildings – non-specialised	30/06/17	–	–	9,797	9,797
Buildings – specialised	30/06/18	–	–	51,219	51,219
Other structures	30/06/17	–	–	6,332	6,332
Roads bridges footpaths	30/06/17	–	–	110,193	110,193
Bulk earthworks – non depreciable	30/06/17	–	–	23,407	23,407
Stormwater drainage	30/06/17	–	–	27,738	27,738
Library books	30/06/17	–	–	454	454
Other	30/06/17	–	–	74	74
Swimming Pools	30/06/17	–	–	144	144
Other Open Space Recreation Assets	30/06/17	–	–	8,259	8,259
Work in Progress	30/06/17	–	–	4,403	4,403
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>345,662</b>	<b>345,662</b>
<b>Non-recurring fair value measurements</b>					
<b>Non-current assets classified as 'held for sale'</b>					
Land	30/06/17	–	–	3,756	3,756
<b>Total NCA's classified as 'held for sale'</b>		<b>–</b>	<b>–</b>	<b>3,756</b>	<b>3,756</b>

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

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

## Kiama Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 22. Fair value measurement (continued)

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

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

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

**Cost Approach** – A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost)

**Income Approach** – Valuation technique that converts future amounts (cash flow inflows/outflows) to signal the current (i.e discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

**Market Approach** – A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

##### Financial assets

###### Held for Trading

These investments are represented by CDO's and FRN's. Council obtains valuations from its Investment Custodian, Australia and New Zealand Banking Group Limited, on a monthly basis and at the end of the reporting period to ensure the financial statements reflect the most up-to-date valuation. The valuations quoted are either sourced from market providers and participants or calculated using ANZ's own internal models and calculation methods and is based on or uses other available pricing information where considered relevant. Numerous factors may affect the information, which may or may not have been taken into account. The information provided may vary significantly from information obtained from other sources or other market participants. There are no observable inputs for this class of Financial Asset and there has been no change to the valuation process during the reporting period.

##### Investment properties

Council obtains independent valuations of its investment property every 3 years by a qualified valuer who has experience in the location of the property. Every other year a desktop valuation is obtained. The best evidence of fair value is the current price in an active market for similar assets. The investment property valuation is included in level 3 of the hierarchy. The key unobservable input to the valuation is the price per square metre.

As at 30 June 2016 the valuation of Blue Haven Independent Living Units was performed by Nelson Partners, Barry Coad, Senior Valuer. The valuation has been prepared on the basis of market value and realisation by the owners in a willing seller/willing purchaser situation, given appropriate marketing and on the basis of there being no financial pressure or a Receivership situation. The valuation has been based on calculations using discount rates, analysis of period of turnover if units and the appropriate length of time and inflationary rates and incorporates the traditional method accepted in the market place for valuing the owner's interest of the Villages to date.

As at 30 June 2018 the valuation for the remaining Investment properties was calculated by applying an index to the valuation as at 30 June 2017. The index applied was CPI at 2.50%.

## Kiama Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 22. Fair value measurement (continued)

##### Infrastructure, property, plant and equipment

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

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at Fair Value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment - Trucks, tractors, jet skis, ride on mowers, street sweepers, earth moving equipment, buses and motor vehicles
- Office Equipment – Refrigerators, monitors and computer equipment
- Furniture & Fittings – Chairs and desks

The key unobservable inputs to the valuation are the remaining useful life and residual value. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

###### Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input into the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Walsh & Monaghan Pty Ltd.

Generally, fair value is the most advantageous price reasonably obtained by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from future use and disposal. There has been no change to the valuation process during the reporting period.

###### Community Land

Valuations of all Council's Community Land and Council managed land were based on the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

###### Land under Roads

Council has elected to recognise Land under Roads where the road was acquired on or after 1 July 2008. 'Land under roads' have been valued using the square metre rates applicable for nearby or adjacent Community Land having regard to the highest and best use for this land. There has been no change to the valuation process during the reporting period.

###### Land Improvements – non depreciable

Non depreciable land improvements are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking into account the pattern of consumption, estimated useful life and the residual value. There has been no change to the valuation process during the reporting period.

## Kiama Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 22. Fair value measurement (continued)

##### **Land Improvements – depreciable**

This asset class comprises land improvements such as playgrounds. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the cost approach by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

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

Buildings valuation was undertaken at 30 June 2018 and was performed by AssetVal Pty Ltd. The approach taken was to componentise each building into significant parts with different useful lives and took into account a range of factors. While all buildings were inspected, inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets are classified as being valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

##### **Other Structures**

This asset class includes sporting facilities, park furniture, signs, skate facilities etc. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

##### **Roads**

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

##### **Bulk Earthworks – non depreciable**

The 'Cost Approach' estimated the replacement cost for each asset. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

##### **Stormwater Drainage**

Assets within this class comprise pits, pipes and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical

## Kiama Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 22. Fair value measurement (continued)

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records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

##### **Library Books**

Library books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

##### **Other**

Assets within this class comprise Drainage inspection data. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. There has been no change to the valuation process during the reporting period.

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##### **Non-current assets classified as 'held for sale'**

This asset class comprises a parcel of land "held for sale" and is valued at cost but disclosed at fair value in the notes. The carrying amount of this asset is assumed to approximate fair value. There has been no change to the valuation process during the reporting period.

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## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Fair value measurement (continued)

\$ '000

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

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

	Investment Property Blue Haven ILU	Investment Property Other	Plant & Equipment	Office Equipment	Total
<b>Opening balance – 1/7/16</b>	76,782	1,293	7,076	797	85,948
Purchases (GBV)	–	–	2,426	294	2,720
Disposals (WDV)	–	–	(701)	(6)	(707)
Depreciation and impairment	–	–	(1,247)	(175)	(1,422)
FV gains – Income Statement <sup>1</sup>	1,965	13	–	–	1,978
<b>Closing balance – 30/6/17</b>	<b>78,747</b>	<b>1,306</b>	<b>7,554</b>	<b>910</b>	<b>88,517</b>
Purchases (GBV)	–	–	3,317	166	3,483
Disposals (WDV)	–	–	(560)	–	(560)
Depreciation and impairment	–	–	(1,257)	(235)	(1,492)
FV gains – other comprehensive income	753	13	–	–	766
<b>Closing balance – 30/6/18</b>	<b>79,500</b>	<b>1,319</b>	<b>9,054</b>	<b>841</b>	<b>90,714</b>

	Furniture & Fittings	Operational Land	Community Land	Land Under Roads	Total
<b>Opening balance – 1/7/16</b>	355	30,753	59,927	28	91,063
Purchases (GBV)	167	2,832	–	–	2,999
Disposals (WDV)	–	(59)	–	–	(59)
Depreciation and impairment	(75)	–	–	–	(75)
<b>Closing balance – 30/6/17</b>	<b>447</b>	<b>33,526</b>	<b>59,927</b>	<b>28</b>	<b>93,928</b>
Purchases (GBV)	148	5	63	–	216
Disposals (WDV)	–	(755)	–	–	(755)
Depreciation and impairment	(91)	–	–	–	(91)
FV gains – other comprehensive income	–	7,507	–	–	7,507
<b>Closing balance – 30/6/18</b>	<b>504</b>	<b>40,283</b>	<b>59,990</b>	<b>28</b>	<b>100,805</b>

## Kiama Municipal Council

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

## Note 22. Fair value measurement (continued)

\$ '000

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

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

	Land imprv'mnts non- depreciable	Land imprv'mnts depreciable	Buildings Non Specialised	Buildings Specialised	Total
<b>Opening balance – 1/7/16</b>	848	397	9,923	51,771	62,939
Purchases (GBV)	48	78	264	950	1,340
Disposals (WDV)	–	–	–	(20)	(20)
Depreciation and impairment	–	(121)	(390)	(1,482)	(1,993)
<b>Closing balance – 30/6/17</b>	<b>896</b>	<b>354</b>	<b>9,797</b>	<b>51,219</b>	<b>62,266</b>
Transfers from/(to) another asset class			2	4,408	4,410
Purchases (GBV)	88	–	288	1,967	2,343
Disposals (WDV)	–	1	–	–	1
Depreciation and impairment	–	(24)	(368)	(1,565)	(1,957)
FV gains – other comprehensive income	–	–	1,982	(8,006)	(6,024)
<b>Closing balance – 30/6/18</b>	<b>984</b>	<b>331</b>	<b>11,701</b>	<b>48,023</b>	<b>61,039</b>

	Other Structures	Roads	Bulk Earthworks	Stormwater Drainage	Total
<b>Opening balance – 1/7/16</b>	6,197	97,088	22,711	25,274	151,270
Purchases (GBV)	366	12,738	696	2,592	16,392
Disposals (WDV)	–	(346)	–	(23)	(369)
Depreciation and impairment	(231)	(2,461)	–	(288)	(2,980)
<b>Closing balance – 30/6/17</b>	<b>6,332</b>	<b>107,019</b>	<b>23,407</b>	<b>27,555</b>	<b>164,313</b>
Transfers from/(to) another asset class	1	(34)	–	139	106
Purchases (GBV)	54	2,419	397	183	3,053
Depreciation and impairment	(102)	(2,789)	–	(301)	(3,192)
<b>Closing balance – 30/6/18</b>	<b>6,285</b>	<b>106,615</b>	<b>23,804</b>	<b>27,576</b>	<b>164,280</b>



## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Fair value measurement (continued)

\$ '000

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

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

	Library Books	Other	WIP	Held for Sale	Total
<b>Opening balance – 1/7/16</b>	437	9,511	–	3,729	13,677
Purchases (GBV)	90	–	4,403	–	4,493
Depreciation and impairment	(73)	(13)	–	–	(86)
Other movement (details here)	–	(1,021)	–	–	(1,021)
<b>Closing balance – 30/6/17</b>	<b>454</b>	<b>8,477</b>	<b>4,403</b>	<b>3,729</b>	<b>17,063</b>
Transfers from/(to) another asset class	–	–	(4,403)	–	(4,403)
Purchases (GBV)	93	688	12,810	–	13,591
Depreciation and impairment	(73)	(311)	–	–	(384)
<b>Closing balance – 30/6/18</b>	<b>474</b>	<b>8,854</b>	<b>12,810</b>	<b>3,729</b>	<b>25,867</b>

## b. The valuation process for level 3 fair value measurements

The Council's Policy, for determining when transfers are made into different levels of the hierarchy, occurs at the end of the reporting period. There have been no transfers from Level 1 to Level 2 or from Level 2 to Level 1. The valuation techniques employed by Council for Level 3 Assets/Liabilities has been detailed previously. Significant Professional judgement from Council Engineer's is required when determining the valuation process and whether external valuations are required.

## (5). Highest and best use

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

Kiama Municipal Council

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

Note 23. Related party transactions

\$ '000

a. Key management personnel

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

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

	2018	2017
<b>Compensation:</b>		
Short-term benefits	1,675	1,504
Post-employment benefits	103	142
Termination benefits	233	265
<b>Total</b>	<b>2,011</b>	<b>1,911</b>

Note 24. Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure in accordance with AASB 110:

Council has entered into a loan agreement with NSW Treasury Corporation for a loan of \$60million. This loan will be used as part of finance for the construction of the new aged care facility currently under construction.

Kiama Municipal Council

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

Note 25. Statement of developer contributions

\$ '000

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

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

**SUMMARY OF CONTRIBUTIONS AND LEVIES**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	200	46	-	1	(196)	-	51	-
Parking	243	-	-	6	-	-	249	-
Open space	(25)	-	-	(1)	-	-	(26)	-
Community facilities	891	371	-	24	(228)	-	1,058	-
Other – Council chambers	3,235	117	-	50	(1,231)	-	2,171	-
Other	79	13	-	2	-	-	94	-
<b>\$7.11 contributions – under a plan</b>	<b>4,623</b>	<b>547</b>	<b>-</b>	<b>82</b>	<b>(1,655)</b>	<b>-</b>	<b>3,597</b>	<b>-</b>
<b>\$7.12 levies – under a plan</b>	<b>491</b>	<b>280</b>	<b>-</b>	<b>15</b>	<b>(138)</b>	<b>-</b>	<b>648</b>	<b>-</b>
<b>Total \$7.11 and \$7.12 revenue under plans</b>	<b>5,114</b>	<b>827</b>	<b>-</b>	<b>97</b>	<b>(1,793)</b>	<b>-</b>	<b>4,245</b>	<b>-</b>
<b>Total contributions</b>	<b>5,114</b>	<b>827</b>	<b>-</b>	<b>97</b>	<b>(1,793)</b>	<b>-</b>	<b>4,245</b>	<b>-</b>

Kiama Municipal Council

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

Note 25. Statement of developer contributions (continued)

\$ '000

**S7.11 CONTRIBUTIONS – UNDER A PLAN**

CONTRIBUTION PLAN NUMBER 1

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					
Traffic facilities	–	34	–	1	–	–	35	–
Community facilities	612	315	–	17	(222)	–	722	–
Other – Council chambers	3,235	117	–	50	(1,231)	–	2,171	–
Other	79	11	–	2	–	–	92	–
<b>Total</b>	<b>3,926</b>	<b>477</b>	<b>–</b>	<b>70</b>	<b>(1,453)</b>	<b>–</b>	<b>3,020</b>	<b>–</b>

CONTRIBUTION PLAN NUMBER 2

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					
Traffic facilities	–	6	–	–	–	–	6	–
Community facilities	81	46	–	3	–	–	130	–
Other	–	2	–	–	–	–	2	–
<b>Total</b>	<b>81</b>	<b>54</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>138</b>	<b>–</b>

Kiama Municipal Council

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

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 3

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					
Traffic facilities	-	6	-	-	-	-	6	-
Community facilities	-	10	-	-	(6)	-	4	-
<b>Total</b>	-	<b>16</b>	-	-	<b>(6)</b>	-	<b>10</b>	-

CONTRIBUTION PLAN NUMBER 4

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	172	-	-	4	-	-	176	-
<b>Total</b>	<b>172</b>	-	-	<b>4</b>	-	-	<b>176</b>	-

Kiama Municipal Council

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

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 7

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					
Traffic facilities	180	-	-	-	(196)	-	(16)	-
Open space	(26)	-	-	(1)	-	-	(27)	-
Community facilities	191	-	-	4	-	-	195	-
<b>Total</b>	<b>345</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>(196)</b>	<b>-</b>	<b>152</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 7a

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					
Traffic facilities	20	-	-	-	-	-	20	-
Open space	1	-	-	-	-	-	1	-
Community facilities	7	-	-	-	-	-	7	-
<b>Total</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>-</b>

Kiama Municipal Council

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

Note 25. Statement of developer contributions (continued)

\$ '000

**S7.11 CONTRIBUTIONS – UNDER A PLAN**

CONTRIBUTION PLAN NUMBER 5

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	71	-	-	2	-	-	73	-
<b>Total</b>	<b>71</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>73</b>	<b>-</b>

**S7.12 LEVIES – UNDER A PLAN**

CONTRIBUTION PLAN NUMBER A

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					
Traffic facilities	112	83	-	2	(131)	-	66	-
Open space	379	197	-	13	(7)	-	582	-
<b>Total</b>	<b>491</b>	<b>280</b>	<b>-</b>	<b>15</b>	<b>(138)</b>	<b>-</b>	<b>648</b>	<b>-</b>

## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>(878)</u>	-1.61%	4.43%	2.61%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>54,691</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>45,167</u>	78.41%	60.43%	59.84%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>57,602</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>31,576</u>	2.58x	3.86x	4.38x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>12,227</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>6,394</u>	10.73x	8.68x	4.85x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>596</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>331</u>	1.55%	1.47%	2.16%	10%
Rates, annual and extra charges collectible	<u>21,295</u>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>33,117</u>	9.09 mths	10.7 mths	8.7 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>3,645</u>				

## Notes

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

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

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

<sup>(3)</sup> Refer to Notes 13 and 14.

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



**END OF AUDITED FINANCIAL STATEMENTS**

**Item 3.1**

**Attachment 1**

Kiama Municipal Council

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

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

<p><b>1. Operating performance ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>-5%</td> </tr> <tr> <td>2016</td> <td>3%</td> </tr> <tr> <td>2017</td> <td>4%</td> </tr> <tr> <td>2018</td> <td>-1.61%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum <math>\geq 0.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio %	2015	-5%	2016	3%	2017	4%	2018	-1.61%	<p><b>Purpose of operating performance ratio</b></p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio -1.61%</b></p> <p>The reduction in this ratio is due to a dip in performance from Blue Haven, along with the return of funding for the Carer Respite Services</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>
Year	Ratio %											
2015	-5%											
2016	3%											
2017	4%											
2018	-1.61%											
<p><b>2. Own source operating revenue ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>78%</td> </tr> <tr> <td>2016</td> <td>60%</td> </tr> <tr> <td>2017</td> <td>60%</td> </tr> <tr> <td>2018</td> <td>78%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum <math>\geq 60.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio %	2015	78%	2016	60%	2017	60%	2018	78%	<p><b>Purpose of own source operating revenue ratio</b></p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 78.41%</b></p> <p>Increase in ratio due to a reduction in Grants and Contributions</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>
Year	Ratio %											
2015	78%											
2016	60%											
2017	60%											
2018	78%											
<p><b>3. Unrestricted current ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>3.9</td> </tr> <tr> <td>2016</td> <td>4.4</td> </tr> <tr> <td>2017</td> <td>3.9</td> </tr> <tr> <td>2018</td> <td>2.6</td> </tr> </tbody> </table> <p>Benchmark: — Minimum <math>\geq 1.50</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio (x)	2015	3.9	2016	4.4	2017	3.9	2018	2.6	<p><b>Purpose of unrestricted current ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 2.58x</b></p> <p>The reduction of this ratio is due to the reduction in cash and investments due to timing of construction payments for the aged care facility</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>
Year	Ratio (x)											
2015	3.9											
2016	4.4											
2017	3.9											
2018	2.6											

Kiama Municipal Council

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

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

<p><b>4. Debt service cover ratio</b></p> <table border="1"> <caption>Debt service cover ratio data</caption> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>5.0</td> </tr> <tr> <td>2016</td> <td>4.8</td> </tr> <tr> <td>2017</td> <td>8.7</td> </tr> <tr> <td>2018</td> <td>10.7</td> </tr> </tbody> </table> <p>Benchmark: Minimum &gt;=2.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio (x)	2015	5.0	2016	4.8	2017	8.7	2018	10.7	<p><b>Purpose of debt service cover ratio</b></p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 10.73x</b></p> <p>During the year, a number of loans matured and for the remaining loans costs continue to decrease as they approach maturity. The reduction in servicing costs is the main factor for the substantial improvement in this ratio.</p> <p>Ratio achieves benchmark</p>
Year	Ratio (x)											
2015	5.0											
2016	4.8											
2017	8.7											
2018	10.7											
<p><b>5. Rates, annual charges, interest and extra charges outstanding percentage</b></p> <table border="1"> <caption>Rates, annual charges, interest and extra charges outstanding percentage data</caption> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>2%</td> </tr> <tr> <td>2016</td> <td>2%</td> </tr> <tr> <td>2017</td> <td>1%</td> </tr> <tr> <td>2018</td> <td>2%</td> </tr> </tbody> </table> <p>Benchmark: Maximum &lt;10.00% Source for Benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio %	2015	2%	2016	2%	2017	1%	2018	2%	<p><b>Purpose of rates and annual charges outstanding ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 1.55%</b></p> <p>The continuous monitoring of outstanding rates linked to a positive approach to debt recovery continues to the achievement of strong result in this ratio.</p> <p>Ratio is within Benchmark</p>
Year	Ratio %											
2015	2%											
2016	2%											
2017	1%											
2018	2%											
<p><b>6. Cash expense cover ratio</b></p> <table border="1"> <caption>Cash expense cover ratio data</caption> <thead> <tr> <th>Year</th> <th>Ratio (mths)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>10.3</td> </tr> <tr> <td>2016</td> <td>8.7</td> </tr> <tr> <td>2017</td> <td>10.7</td> </tr> <tr> <td>2018</td> <td>9.1</td> </tr> </tbody> </table> <p>Benchmark: Minimum &gt;=3.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio (mths)	2015	10.3	2016	8.7	2017	10.7	2018	9.1	<p><b>Purpose of cash expense cover ratio</b></p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 9.09 mths</b></p> <p>The reduction of this ratio is due to the reduction in cash and investments due to timing of construction payments for the aged care facility</p> <p>Ratio achieves benchmark</p>
Year	Ratio (mths)											
2015	10.3											
2016	8.7											
2017	10.7											
2018	9.1											

## Kiama Municipal Council

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

## Note 27. Segment reporting

\$ '000	2018	2017
<b>Residential Aged Care: Blue Haven Nursing Home &amp; Hostel - RAC ID 0094</b>		
<b>Income Statement</b>		
<b>Income from Continuing Operations</b>		
Resident Fees	1,818	1,959
Other Revenues	223	201
Grants & Contributions provided for Operating Purposes	3,039	3,312
<b>Total Income from Continuing Operations</b>	<b>5,080</b>	<b>5,472</b>
<b>Expenses from Continuing Operations</b>		
Employee Costs	4,273	3,762
Care Costs	481	349
Catering Costs	237	234
Cleaning / Laundry Costs	133	93
Repairs & Maintenance Costs	205	145
Utilities Costs	92	84
Depreciation	256	251
Other Expenses	605	319
<b>Total Expenses from Continuing Operations</b>	<b>6,282</b>	<b>5,237</b>
<b>Operating Result from Continuing Operations</b>	<b>(1,202)</b>	<b>235</b>
<b>Net Operating Result for the Year</b>	<b>(1,202)</b>	<b>235</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>(1,202)</b>	<b>235</b>

Financial Statements 2018

## Kiama Municipal Council

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

## Note 27. Segment reporting (continued)

\$ '000	2018	2017
<b>Residential Aged Care: Blue Haven Nursing Home &amp; Hostel - RAC ID 0094</b>		
<b>Balance Sheet</b>		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash & Cash Equivalents	9,326	13,822
<b>Total Current Assets</b>	<b>9,326</b>	<b>13,822</b>
<b>Non-Current Assets</b>		
Infrastructure, Property, Plant & Equipment	10,879	15,213
Intangible Assets	5,350	2,400
<b>Total Non-Current Assets</b>	<b>16,229</b>	<b>17,613</b>
<b>TOTAL ASSETS</b>	<b>25,555</b>	<b>31,435</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	1,000	1,000
Provisions	590	529
<b>Total Current Liabilities</b>	<b>1,590</b>	<b>1,529</b>
<b>Non-Current Liabilities</b>		
Payables	6,538	6,149
<b>Total Non-Current Liabilities</b>	<b>6,538</b>	<b>6,149</b>
<b>TOTAL LIABILITIES</b>	<b>8,128</b>	<b>7,678</b>
<b>Net Assets</b>	<b>17,427</b>	<b>23,757</b>
<b>EQUITY</b>		
Retained Earnings	6,595	11,796
Revaluation Reserves	10,832	11,961
<b>Total Equity</b>	<b>17,427</b>	<b>23,757</b>

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## Kiama Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 28. Financial review and commentary

\$ '000

## Key financial figures of Council over the past 5 years

	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
<b>Financial performance figures</b>					
<b>Inflows:</b>					
Rates and annual charges revenue	20,883	19,838	18,808	18,354	17,237
User charges revenue	19,440	18,678	17,376	15,982	15,304
Interest and investment revenue (losses)	1,015	1,844	1,677	1,215	1,719
Grants income – operating and capital	10,006	11,588	11,823	9,128	10,483
Total income from continuing operations	58,911	73,953	68,513	51,906	51,559
Sale proceeds from IPP&E	1,615	767	1,034	912	3,511
New loan borrowings and advances	–	–	–	–	2,025
<b>Outflows:</b>					
Employee benefits and on-cost expenses	26,406	24,825	24,813	23,001	22,248
Borrowing costs	156	221	1	367	393
Materials and contracts expenses	18,781	18,159	17,172	16,509	16,435
Total expenses from continuing operations	58,773	53,221	53,177	51,924	55,661
Total cash purchases of IPP&E	25,019	26,955	23,434	9,441	7,976
Total loan repayments (incl. finance leases)	440	842	1,694	961	980
Operating surplus/(deficit) (excl. capital income)	(2,773)	3,877	1,002	(1,576)	(5,885)
<b>Financial position figures</b>					
Current assets	39,121	45,409	43,028	45,620	44,860
Current liabilities	81,848	76,237	72,688	73,654	70,596
Net current assets	(42,727)	(30,828)	(29,660)	(28,034)	(25,736)
Available working capital (Unrestricted net current assets)	(67,451)	(62,900)	(58,180)	(53,368)	(51,023)
Cash and investments – unrestricted	573	141	283	4,869	5,654
Cash and investments – internal restrictions	24,999	31,482	29,441	27,079	26,061
Cash and investments – total	33,117	39,382	36,412	38,406	37,850
Total borrowings outstanding (Loans, advances and finance leases)	3,350	3,790	4,632	6,326	7,287
Total value of IPP&E (excl. land and earthwork)	390,702	374,472	350,919	330,513	313,499
Total accumulated depreciation	158,190	146,594	142,594	138,403	149,227
Indicative remaining useful life (as a % of GBV)	60%	61%	59%	58%	52%

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

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## Kiama Municipal Council

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

#### Note 29. Council information and contact details

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**Principal place of business:**

11 Manning Street  
Kiama NSW 2533

**Contact details**

**Mailing address:**

PO Box75  
Kiama NSW 2533

**Opening hours:**

8.45am to 4.15  
Monday to Friday

**Telephone:** 02 4232 0444

**Facsimile:** 02 4232 0555

**Internet:** [www.kiama.nsw.gov.au](http://www.kiama.nsw.gov.au)

**Email:** [council@kiama.nsw.gov.au](mailto:council@kiama.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Kerry McMurray

**RESPONSIBLE ACCOUNTING OFFICER**

Robert Owens

**PUBLIC OFFICER**

Sue Basa

**AUDITORS**

Audit Office of NSW  
GPO Box 12, Sydney NSW 2001

**Elected members**

**MAYOR**

Mark Honey

**COUNCILLORS**

Kathy Price  
Matt Brown  
Neil Reilly  
Andrew Sloan  
Warren Steel  
Don Watson  
Mark Way  
Mark Westoff

**Other information**

**ABN:** 22 379 679 108



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial report**  
**The Council of the Municipality of Kiama**

To the Councillors of the The Council of the Municipality of Kiama

**Opinion**

I have audited the accompanying financial report of The Council of the Municipality of Kiama (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 significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

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

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

**Basis for Opinion**

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

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

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

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



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

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

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

### Other Information

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

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

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

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

I have nothing to report in this regard.

### The Councillors' Responsibilities for the Financial Report

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

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

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

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Dominika Ryan  
Director

27 November 2018  
SYDNEY

# Kiama Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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*A Municipality working together for a  
healthy, sustainable & caring community*



Kiama Municipal Council

Special Purpose Financial Statements  
for the year ended 30 June 2018

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Other Business Activities	3
Statement of Financial Position – Other Business Activities	4
<b>3. Notes to the Special Purpose Financial Statements</b>	5
<b>4. Auditor’s Report</b>	9

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Background

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

Kiama Municipal Council

Special Purpose Financial Statements  
for the year ended 30 June 2018

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

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

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

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 16 October 2018.



Mark Honey  
Mayor  
16 October 2018



Andrew Sloan  
Councillor  
16 October 2018



Kerry McMurray  
General Manager  
16 October 2018



Robert Owens  
Responsible Accounting Officer  
16 October 2018

SPFS 2018

## Kiama Municipal Council

Income Statement of Council's Other Business Activities  
for the year ended 30 June 2018

	Holiday Parks		Waste Unit	
	Category 1		Category 1	
\$ '000	2018	2017	2018	2017
<b>Income from continuing operations</b>				
User charges	9,073	8,147	1,715	1,941
Fees	35	32	2,870	2,690
Profit from the sale of assets	–	–	9	31
Other income	98	47	576	664
<b>Total income from continuing operations</b>	<b>9,206</b>	<b>8,226</b>	<b>5,170</b>	<b>5,326</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	105	112	1,287	1,414
Borrowing costs	14	24	–	–
Materials and contracts	3,794	4,326	1,957	1,973
Depreciation, amortisation and impairment	698	651	464	301
Calculated taxation equivalents	19	19	–	–
Debt guarantee fee (if applicable)	60	60	–	–
Other expenses	958	890	26	32
<b>Total expenses from continuing operations</b>	<b>5,648</b>	<b>6,082</b>	<b>3,734</b>	<b>3,720</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>3,558</b>	<b>2,144</b>	<b>1,436</b>	<b>1,606</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>3,558</b>	<b>2,144</b>	<b>1,436</b>	<b>1,606</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>3,558</b>	<b>2,144</b>	<b>1,436</b>	<b>1,606</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,067)	(643)	(431)	(482)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,491</b>	<b>1,501</b>	<b>1,005</b>	<b>1,124</b>
<b>Plus opening retained profits</b>	11,909	11,471	3,328	2,474
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	19	19	–	–
– Debt guarantee fees	60	60	–	–
– Corporate taxation equivalent	1,067	643	431	482
<b>Less:</b>				
– Dividend paid	(1,662)	(1,785)	(1,205)	(752)
<b>Closing retained profits</b>	<b>13,884</b>	<b>11,909</b>	<b>3,559</b>	<b>3,328</b>
<b>Return on capital %</b>	<b>19.8%</b>	<b>12.5%</b>	<b>35.0%</b>	<b>65.4%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

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SPFS 2018

## Kiama Municipal Council

Statement of Financial Position – Council's Other Business Activities  
as at 30 June 2018

	Holiday Parks		Waste Unit	
	Category 1		Category 1	
\$ '000	2018	2017	2018	2017
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	2,847	1,779	740	1,082
Receivables	965	387	–	–
<b>Total Current Assets</b>	<b>3,812</b>	<b>2,166</b>	<b>740</b>	<b>1,082</b>
<b>Non-current assets</b>				
Infrastructure, property, plant and equipment	17,997	17,291	4,099	2,455
Investment property	83	83	–	–
<b>Total non-current assets</b>	<b>18,080</b>	<b>17,374</b>	<b>4,099</b>	<b>2,455</b>
<b>TOTAL ASSETS</b>	<b>21,892</b>	<b>19,540</b>	<b>4,839</b>	<b>3,537</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowings	267	263	–	–
Provisions	12	12	–	–
<b>Total current liabilities</b>	<b>279</b>	<b>275</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>				
Provisions	632	896	–	–
<b>Total non-current liabilities</b>	<b>632</b>	<b>896</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>911</b>	<b>1,171</b>	<b>–</b>	<b>–</b>
<b>NET ASSETS</b>	<b>20,981</b>	<b>18,369</b>	<b>4,839</b>	<b>3,537</b>
<b>EQUITY</b>				
Accumulated surplus	14,520	11,908	4,631	3,329
Revaluation reserves	6,461	6,461	208	208
<b>TOTAL EQUITY</b>	<b>20,981</b>	<b>18,369</b>	<b>4,839</b>	<b>3,537</b>

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Kiama Municipal Council

Special Purpose Financial Statements  
for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

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## Kiama Municipal 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. **Kiama Coast Holiday Parks**

*Caravan and Camping Parks*

##### b. **Waste Business Unit**

*Domestic/Commercial Waste*

## Kiama Municipal Council

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

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

##### Category 2

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

**Nil**

##### 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.

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.

## Kiama Municipal Council

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

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

##### Local government rates and charges

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

##### Loan and debt guarantee fees

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

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

##### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 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

#### The Council of the Municipality of Kiama

To the Councillors of the The Council of the Municipality of Kiama

### Opinion

I have audited the accompanying special purpose financial report (the financial report) of The Council of the Municipality of Kiama'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:

- Other Business Activities.

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

### Other Information

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

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

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

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

I have nothing to report in this regard.

### The Councillors' Responsibilities for the Financial Report

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Dominika Ryan  
Director, Financial Services

27 November 2018  
SYDNEY

Item 3.1

Attachment 1



Cr Mark Honey  
 Mayor  
 Kiama Municipal Council  
 PO Box 75  
 KIAMA NSW 2533

Contact: Dominika Ryan  
 Phone no: 02 9275 7336  
 Our ref: D1829387/1747

27 November 2018

Dear Mayor

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

I have audited the general purpose financial statements of the Kiama Municipal 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 %
<b>Rates and annual charges revenue</b>	20.9	19.8	↑ 5.6
<b>Grants and contributions revenue</b>	12.4	28.6	↓ (57)
<b>Operating result for the year</b>	0.14	20.7	↓ (99)
<b>Net operating result before capital amounts</b>	(2.8)	3.9	↓ (172)

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Rates and annual charges revenue (\$20.9 million) increased by \$1.1 million in 2017–18 mainly due to a six per cent increase in general and ordinary rates.

Grants and contributions revenue (\$12.4 million) decreased by \$16.2 million in

2017–2018. This was mainly caused by:

- the timing of financial assistance grants received in the past two years
- RMS contribution of \$13.6 million which was received in 2016–17.

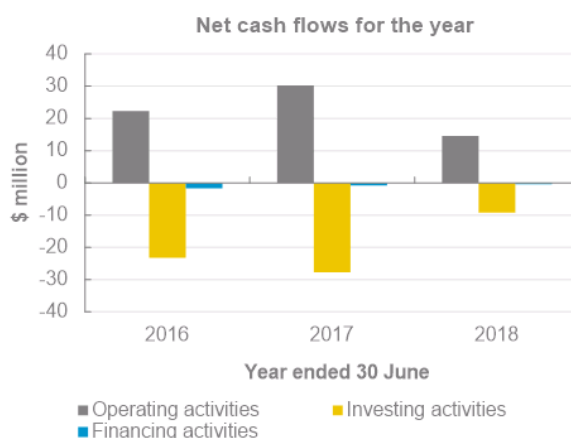
Council's operating result of \$138,000 was \$20.6 million lower than the 2016–17 result. The movement was mainly caused by decrease in grant and contributions revenue and increase in employee benefits and on cost expense of \$1.6 million and loss on disposal of assets \$3.2 million.

### STATEMENT OF CASH FLOWS

Operating cash flows were impacted by a decrease of \$16.5 million in grants and contributions receipts and increase of \$1.2 million in employee benefits and on costs.

Investing cash flows decreased by \$18.5 million mainly due to decrease in purchases of investment securities.

Financing cash flows were impacted by a decrease of \$400,00 repayments of borrowings.



### FINANCIAL POSITION

#### Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	7.5	7.7	The Council's externally restricted cash and investments decreased marginally by 2.8 per cent mainly due to:
Internal restrictions	25.0	31.5	
Unrestricted	0.6	0.1	
<b>Cash and investments</b>	<b>33.1</b>	<b>39.3</b>	<ul style="list-style-type: none"> <li>• Developer contribution decreased by \$869,000</li> <li>• Domestic waste management increased by \$468,000.</li> </ul>

Council's internally restricted cash and investments increased by 21 per cent mainly due to:

- Holiday parks increased by \$2,900,000
- Land development increased by \$909,000

Council's unrestricted cash and investment decreased by \$0.4million and is used to meet day-to-day obligations.



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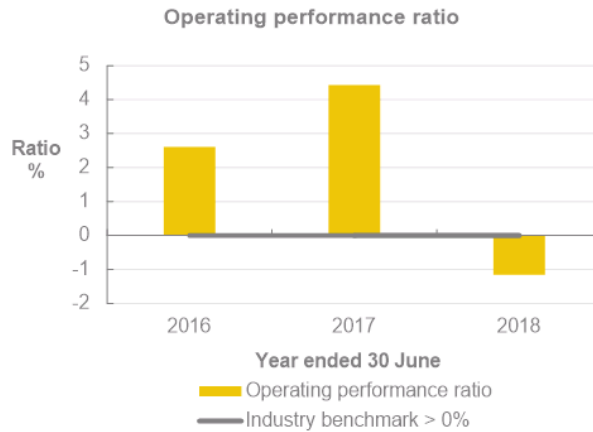
**PERFORMANCE RATIOS**

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

**Operating performance ratio**

The Council's operating performance ratio of -1.61 per cent in 2017-18 below the industry benchmark. The ratio decreased this year due to lower operating result which is a result of lower grants and contributions revenue and increased expenses.

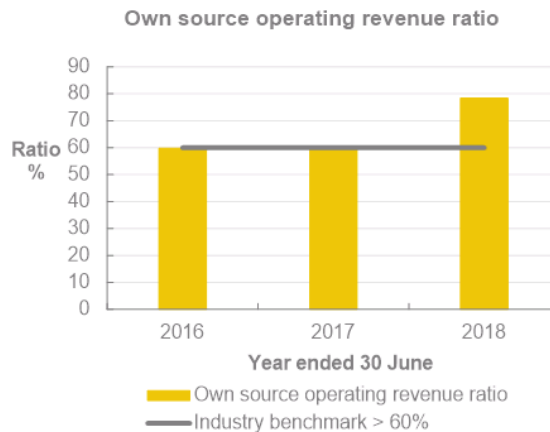
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



**Own source operating revenue ratio**

The Council's own source operating ratio of 78.4 percent is above the industry benchmark.

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 percent.



Item 3.1

Attachment 1

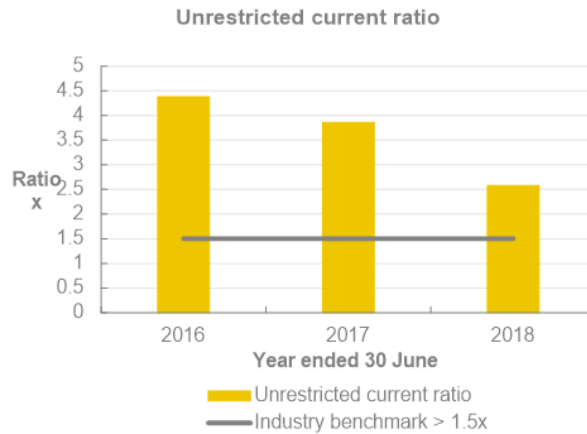
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**Unrestricted current ratio**

The ratio indicates the Council has \$2.58 available to service every \$1.00 of unrestricted current liabilities. This reflects a sufficient operating buffer for use in Council's operations and exceeds the industry benchmark.

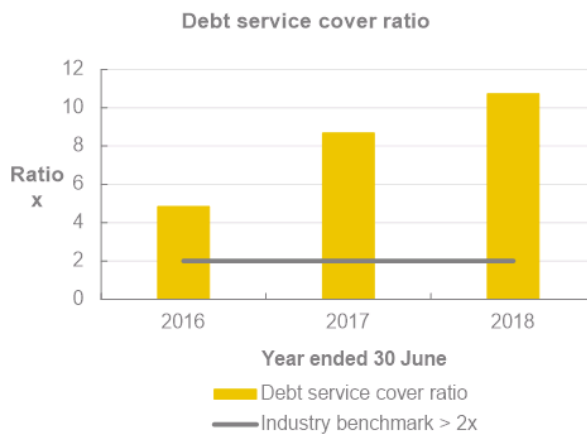
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



**Debt service cover ratio**

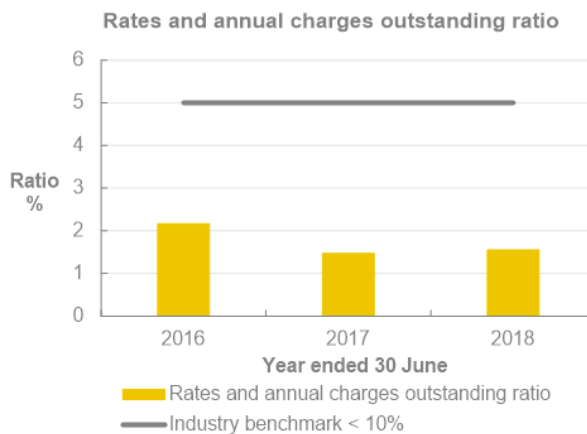
The Council's debt service cover ratio of 10.73 times continues to exceed the industry benchmark. The ratio is well above industry benchmarks because of the Council's low levels of debt.

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



The Council's outstanding rates and charges ratio of 1.55 per cent shows a slight increase from 2016-17 and is lower than the industry benchmark.

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 10 per cent for regional and rural councils.



Item 3.1

Attachment 1

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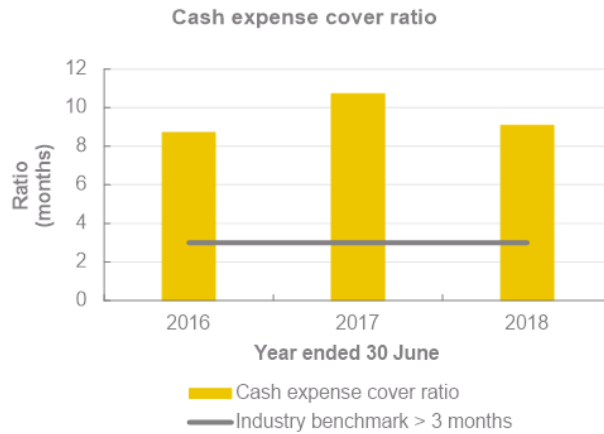


**Rates and annual charges outstanding ratio**

**Cash expense cover ratio**

The Council's cash expense cover ratio of 9.09 months continues to exceed the industry benchmark. This reflects its ability to improve balances of cash and term deposits.

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.



**OTHER MATTERS**

**New accounting standards implemented**

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11.

**AASB 2016-4 'Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities' – Amendment to AASB 136**

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

This Standard no longer requires not-for-profit entities to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

It is expected for not-for-profit entities holding non-cash-generating specialised assets, the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 113 Fair Value Measurement.

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### 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.

A handwritten signature in black ink that reads "D. Ryan".

Dominika Ryan  
Director, Financial Audit Services

cc: Kerry McMurray General Manager  
Tim Hurst, Chief Executive of the Office of Local Government

Item 3.1

Attachment 1

# Kiama Municipal Council

SPECIAL SCHEDULES  
for the year ended 30 June 2018

---

*A Municipality working together for a  
healthy, sustainable & caring community*



## Kiama Municipal Council

## Special Schedules

for the year ended 30 June 2018

## Contents

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**Special Schedules <sup>1</sup>**

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<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	n/a
<b>Special Schedule 4</b>	Water Supply – Statement of Financial Position	n/a
<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	n/a
<b>Special Schedule 6</b>	Sewerage Service – Statement of Financial Position	n/a
<b>Notes to Special Schedules 3 and 5</b>		n/a
<b>Special Schedule 7</b>	Report on Infrastructure Assets	8

<sup>1</sup> 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.

Special Schedules 2018

## Kiama Municipal Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,477</b>	–	–	<b>(1,477)</b>
<b>Administration</b>	<b>13,063</b>	<b>1,814</b>	–	<b>(11,249)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	286	129	–	(157)
Beach control	329	46	–	(283)
Enforcement of local government regulations	66	–	–	(66)
Animal control	157	29	–	(128)
Other	528	378	–	(150)
<b>Total public order and safety</b>	<b>1,366</b>	<b>582</b>	–	<b>(784)</b>
<b>Health</b>	<b>517</b>	<b>16</b>	–	<b>(501)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	181	–	–	(181)
Solid waste management	4,235	6,817	–	2,582
Street cleaning	985	–	–	(985)
Drainage	–	–	–	–
Stormwater management	370	–	–	(370)
<b>Total environment</b>	<b>5,771</b>	<b>6,817</b>	–	<b>1,046</b>
<b>Community services and education</b>				
Administration and education	658	51	–	(607)
Social protection (welfare)	208	49	–	(159)
Aged persons and disabled	12,989	13,275	–	286
Children's services	–	–	–	–
<b>Total community services and education</b>	<b>13,855</b>	<b>13,375</b>	–	<b>(480)</b>
<b>Housing and community amenities</b>				
Public cemeteries	89	269	–	180
Public conveniences	–	–	–	–
Street lighting	–	–	–	–
Town planning	428	107	925	604
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>517</b>	<b>376</b>	<b>925</b>	<b>784</b>
<b>Water supplies</b>	–	–	–	–
<b>Sewerage services</b>	–	–	–	–

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Attachment 1

page 2

Special Schedules 2018

## Kiama Municipal Council

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

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	1,092	195	–	(897)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	400	–	–	(400)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	304	–	–	(304)
Swimming pools	586	957	250	621
Parks and gardens (lakes)	810	–	–	(810)
Other sport and recreation	2,405	601	–	(1,804)
<b>Total recreation and culture</b>	<b>5,597</b>	<b>1,753</b>	<b>250</b>	<b>(3,594)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	2,266	995	–	(1,271)
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>2,266</b>	<b>995</b>	<b>–</b>	<b>(1,271)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	1,808	1,205	–	(603)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	422	–	–	(422)
Sealed rural roads (SRR) – regional	498	–	–	(498)
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	125	115	–	(10)
Aerodromes	–	–	–	–
Other transport and communication	–	476	5,093	5,569
<b>Total transport and communication</b>	<b>2,853</b>	<b>1,796</b>	<b>5,093</b>	<b>4,036</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	5,933	9,313	–	3,380
Other economic affairs	2,341	760	–	(1,581)
<b>Total economic affairs</b>	<b>8,274</b>	<b>10,073</b>	<b>–</b>	<b>1,799</b>
<b>Totals – functions</b>	<b>55,556</b>	<b>37,597</b>	<b>6,268</b>	<b>(11,691)</b>
<b>General purpose revenues <sup>(1)</sup></b>	<b>–</b>	<b>17,987</b>	<b>–</b>	<b>17,987</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>68</b>	<b>–</b>	<b>68</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>55,556</b>	<b>55,652</b>	<b>6,268</b>	<b>6,364</b>

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

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Special Schedules 2018

## Kiama Municipal Council

Special Schedule 2 – Permissible income for general rates  
for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	15,619	15,040
Plus or minus adjustments <sup>(2)</sup>	b	103	271
<b>Notional general income</b>	c = (a + b)	<b>15,722</b>	<b>15,311</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	6.00%	0.00%
Or rate peg percentage	e	2.50%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	1.75%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	943	–
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	268
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>16,665</b>	<b>15,579</b>
Plus (or minus) last year's carry forward total	l	0	34
Less valuation objections claimed in the previous year	m	(6)	–
<b>Sub-total</b>	n = (l + m)	<b>(6)</b>	<b>34</b>
<b>Total permissible income</b>	o = k + n	<b>16,659</b>	<b>15,613</b>
Less notional general income yield	p	16,666	15,619
<b>Catch-up or (excess) result</b>	q = o – p	<b>(7)</b>	<b>(6)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	4	6
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>(3)</b>	<b>0</b>

**Notes**

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

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Attachment 1



## INDEPENDENT AUDITOR'S REPORT

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

#### The Council of the Municipality of Kiama

To the Councillors of the The Council of the Municipality of Kiama

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter – Basis of Accounting

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

### Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2019, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

### The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Dominika Ryan  
Director, Financial Audit

27 November 2018  
SYDNEY

Item 3.1

Attachment 1

Special Schedules 2018

Kiama Municipal Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Commercial Premises	-	-	770	767	12,921	34,498	2%	19%	79%	0%	0%
	Community Services	-	-	162	167	15,427	20,069	5%	57%	39%	0%	0%
	Holiday Parks	101	101	463	362	14,471	22,094	9%	77%	13%	1%	0%
	KMC Operational	-	-	164	167	5,106	12,012	7%	40%	52%	0%	0%
	Public Toilets	-	-	89	90	2,296	3,596	28%	50%	22%	0%	0%
	Rural Fire Service	-	-	2	2	486	967	1%	51%	48%	0%	0%
	Sports Facilities	-	-	53	54	3,833	7,922	4%	49%	47%	0%	0%
	State Emergency Services	-	-	6	6	460	851	6%	74%	20%	0%	0%
	Surf Life Saving Clubs	-	-	22	22	4,833	8,049	2%	62%	36%	0%	0%
	<b>Sub-total</b>	<b>101</b>	<b>101</b>	<b>1,731</b>	<b>1,637</b>	<b>59,833</b>	<b>110,058</b>	<b>5.5%</b>	<b>46.7%</b>	<b>47.4%</b>	<b>0.3%</b>	<b>0.1%</b>
	<b>Other structures</b>		1,324	1,324	-	-	6,285	11,617	3%	61%	5%	0%
<b>Sub-total</b>		<b>1,324</b>	<b>1,324</b>	<b>-</b>	<b>-</b>	<b>6,285</b>	<b>11,617</b>	<b>2.9%</b>	<b>60.7%</b>	<b>4.7%</b>	<b>0.0%</b>	<b>31.7%</b>

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Special Schedules 2018

Kiama Municipal Council

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

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost											
								1	2	3	4	5							
<b>Roads</b>	<b>Urban Roads</b>			625	599														
	Sealed roads	902	902	-	-	51,966	91,759	10%	73%	14%	2%	1%							
	Bridges	-	-	-	-	1,234	2,713	1%	93%	6%	0%	0%							
	Footpaths	4	4	-	-	332	463	23%	49%	26%	2%	0%							
	Other road assets	184	184	-	-	3,539	5,090	35%	45%	10%	1%	9%							
	Bulk earthworks	-	-	-	-	12,215	12,215	100%	0%	0%	0%	0%							
	<b>Rural Roads</b>			408	422														
	Sealed roads	167	167	-	-	17,655	25,699	21%	75%	2%	0%	1%							
	Unsealed roads	72	72	-	-	397	696	5%	63%	4%	0%	29%							
	Bridges	22	22	-	-	5,644	6,673	57%	42%	0%	0%	1%							
	Footpaths	-	-	-	-	-	-	100%	0%	0%	0%	0%							
	Other road assets	13	13	-	-	720	899	88%	5%	4%	0%	3%							
	Bulk earthworks	-	-	-	-	7,702	7,702	100%	0%	0%	0%	0%							
	<b>Regional Roads</b>			550	498														
	Sealed roads	29	29	-	-	8,189	16,176	1%	78%	20%	0%	0%							
	Bridges	-	-	-	-	3,109	6,866	10%	34%	56%	0%	0%							
	Footpaths	-	-	-	-	21	22	11%	67%	18%	4%	0%							
	Other road assets	102	102	-	-	1,572	1,821	56%	27%	1%	0%	16%							
	Bulk earthworks	-	-	-	-	3,605	3,605	100%	0%	0%	0%	0%							
	<b>Access Roads &amp; Carparks</b>																		
Access Roads & Carparks –																			
Sealed roads	14	14	-	-	1,901	2,270	21%	66%	11%	0%	1%								
Footpaths	62	62	-	-	8,523	13,211	37%	58%	4%	0%	1%								
Other road assets	-	-	-	-	659	982	12%	36%	52%	0%	0%								
Bulk earthworks	-	-	-	-	272	272	100%	0%	0%	0%	0%								
<b>Sub-total</b>	<b>1,571</b>	<b>1,571</b>	<b>1,583</b>	<b>1,519</b>	<b>129,255</b>	<b>199,134</b>	<b>26.1%</b>	<b>60.2%</b>	<b>11.5%</b>	<b>0.9%</b>	<b>1.3%</b>								

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Special Schedules 2018

Kiama Municipal Council

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

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Stormwater drainage</b>	Stormwater drainage	-	-	142	69	408	451	71%	25%	4%	0%	0%
	Pits	-	-	-	-	7,381	9,654	19%	81%	0%	0%	0%
	Pipes	-	-	-	-	19,944	27,217	13%	87%	0%	0%	0%
	Open Channel	-	-	-	-	26	27	100%	0%	0%	0%	0%
	<b>Sub-total</b>	-	-	<b>142</b>	<b>69</b>	<b>27,759</b>	<b>37,349</b>	<b>15.5%</b>	<b>84.4%</b>	<b>0.1%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Open space/recreational assets</b>	Swimming pools	-	-	67	73	202	461	14%	1%	85%	0%	0%
	Recreation	779	779	1,496	1,432	8,595	13,129	13%	58%	13%	0%	16%
	<b>Sub-total</b>	<b>779</b>	<b>779</b>	<b>1,563</b>	<b>1,505</b>	<b>8,797</b>	<b>13,590</b>	<b>13.1%</b>	<b>55.7%</b>	<b>15.3%</b>	<b>0.2%</b>	<b>15.8%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>3,775</b>	<b>3,775</b>	<b>5,019</b>	<b>4,730</b>	<b>231,929</b>	<b>371,748</b>	<b>17.7%</b>	<b>58.5%</b>	<b>20.9%</b>	<b>0.6%</b>	<b>2.3%</b>

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

Special Schedules 2018

## Kiama Municipal Council

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

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	4,898	90.37%	199.22%	244.07%	>= 100%
Depreciation, amortisation and impairment	5,420				
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	3,775	1.63%	0.26%	1.56%	< 2.00%
Net carrying amount of infrastructure assets	232,260				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	4,730	94.24%	95.86%	101.81%	> 100%
Required asset maintenance	5,019				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	3,775	1.02%	0.16%	0.00%	
Gross replacement cost	371,748				

## Notes

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

<sup>(1)</sup> Excludes Work In Progress (WIP)

<sup>(2)</sup> 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.

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Item 3.1

Attachment 1



Kiama Municipal Council

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

<p><b>1. Buildings and infrastructure renewals ratio</b></p> <p>Benchmark: Minimum &gt;=100.00% Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of asset renewals ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 90.37%</b></p> <p>Reduction in ratio due to less contributed assets from the RMS for the Gerringong highway upgrade in comparison to the two previous years.</p>
<p><b>2. Infrastructure backlog ratio</b></p> <p>Benchmark: Maximum &lt;2.00% Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of infrastructure backlog ratio</b></p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 1.63%</b></p> <p>Increase in cost to bring assets to satisfactory standard due to the revaluation of buildings and reduction of remaining useful lives.</p>
<p><b>3. Asset maintenance ratio</b></p> <p>Benchmark: Minimum &gt;100.00% Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of asset maintenance ratio</b></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><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 94.24%</b></p> <p>Council continues to spend adequate funds on asset maintenance which is seeing the continuation of exceeding the infrastructure backlog.</p>
<p><b>4. Cost to bring assets to agreed service level</b></p> <p>Benchmark: Minimum &gt;100.00% Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of agreed service level ratio</b></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><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 1.02%</b></p> <p>This ratio is the sum of the outstanding renewal works compared to the total replacement cost of infrastructure assets. That is, the cost to renew assets in condition 4 and 5 as a proportion of the Gross Replacement Cost.</p>

**3.2 2017-18 Annual Report**

CSP Objective: 4.0 Responsible civic leadership that is transparent, innovative and accessible

CSP Strategy: 4.3 Council and the community working together

Delivery Program: 4.3.1 Foster positive community relationships through open communication, opportunities for participation and sharing information

Item 3.2

**Summary**

This report presents the 2017-18 Annual Report, which has been prepared in accordance with section 428 of the *Local Government Act 1993*.

**Finance**

As per adopted budget.

**Policy**

*Local Government Act 1993*

**Communication/Community Engagement**

This report informs the community on Council's achievements in implementing its Delivery program.

**Attachments**

1 KMC Annual Report 2017-18 [↓](#)

**Enclosures**

Nil

**RECOMMENDATION**

[That Council receives and endorses the 2017-18 Annual Report.](#)

**BACKGROUND**

Section 428 of the *Local Government Act 1993* requires all councils to prepare a report on its achievements in implementing its Delivery Program, which must be posted on the Council website and provided to the Minister by the end of November each year.

The Annual Report is an important means of communication between Council and the Community, providing information on progress made towards achieving the Objectives and Strategies contained in the Community Strategic Plan and four-year Delivery Program.

The report also includes other information which is prescribed by legislation, including:

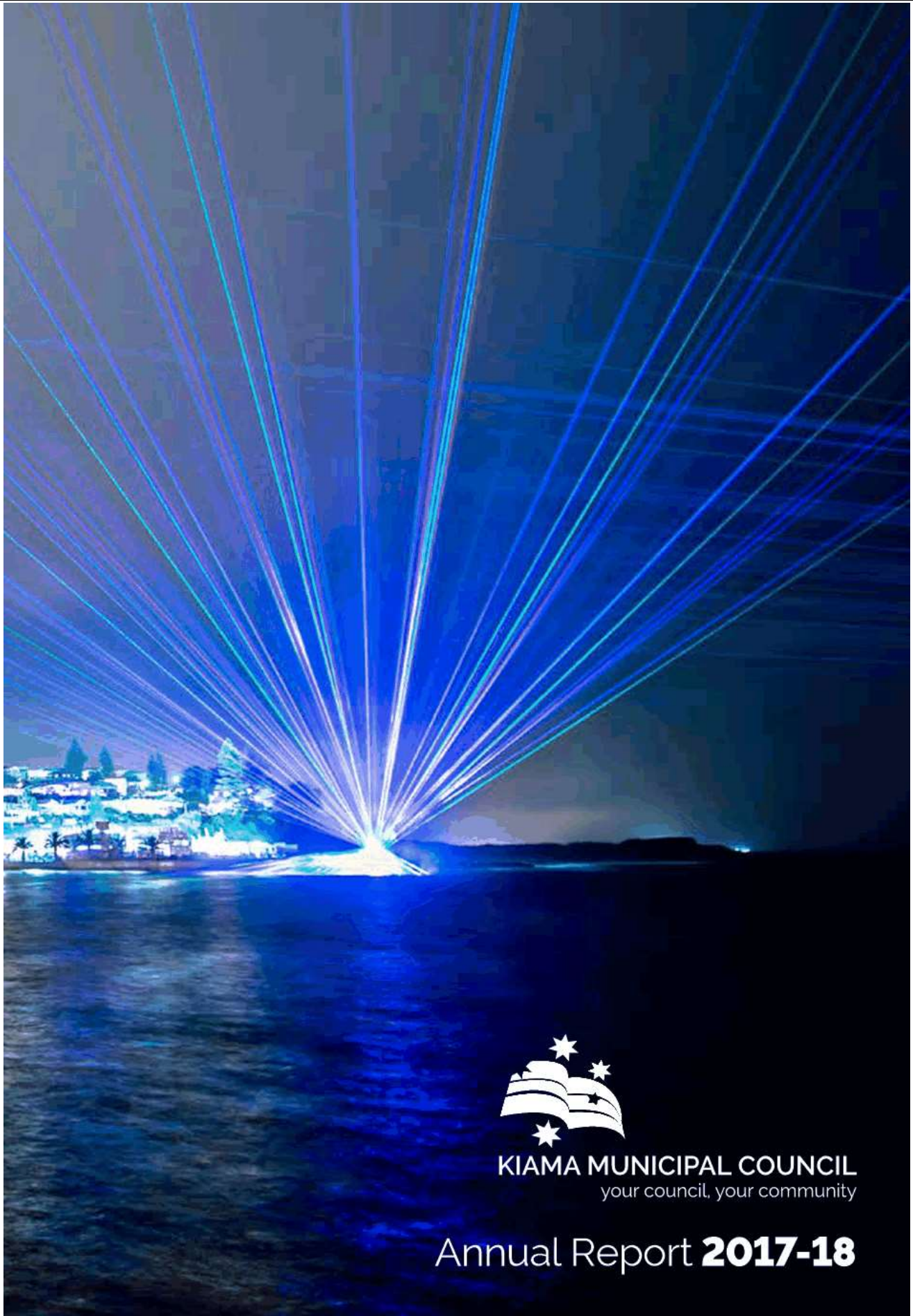
- Council's audited financial reports and notes prepared in accordance with the *Local Government Code of Accounting Practice and Financial Reporting*

## Report of the General Manager

## 3.2 2017-18 Annual Report (cont)

- 
- amount of rates and charges written off during the year
  - details of any overseas visits by Councillors, Council staff or other persons representing Council
  - Mayoral and Councillor expenses and cost of provision of facilities in relation to their civic duties
  - details of all Government contracts over \$150,000
  - summary of amounts incurred in relation to legal proceedings
  - summary of work carried out on private land
  - total amount granted to financially assist others (community groups, grants, etc.)
  - information relating to external bodies, corporations, partnerships and joint ventures entered into
  - information relating to Council's Equal Employment Opportunities management plan and other human resources activities
  - information relating to the progress on delivery of strategies contained in Council's Disability Inclusion Action Plan
  - senior staff remuneration
  - information relating to rates and charges, access and equity, the National Competition Policy and Competitive Neutrality
  - condition of public works and infrastructure
  - management of the Companion Animals Act
  - Government Information (Public Access) Act
  - Public Interest Disclosure (PID) Act

Council's financial statements for 2017-18 have been audited by the NSW Audit Office. Due to unforeseen circumstances the audit was not finalised in time to meet the 30 November deadline for the annual report to be submitted, however, an extension was granted by the Office of Local Government. The Annual Report now includes the audited financial information. Due to similar circumstances a number of other councils within NSW have also been granted an extension to the due date for submitting audited financial statements.



Item 3.2

Attachment 1



**KIAMA MUNICIPAL COUNCIL**  
your council, your community

Annual Report **2017-18**

## How to contact Council

### Post

General Manager  
Kiama Municipal Council  
PO Box 75  
Kiama NSW 2533

### Telephone

+61 (02) 4232 0444

### Facsimile

+61 (02) 4232 0555

### Online

Email: [council@kiama.nsw.gov.au](mailto:council@kiama.nsw.gov.au)

Website: [www.kiama.nsw.gov.au](http://www.kiama.nsw.gov.au)



Kiama Municipal Council

### Office hours

Our Administration Building located at 11 Manning Street Kiama is open 8.45 am to 4.15 pm Monday to Friday (excluding public holidays)



Kiama Municipal Council acknowledges the Australian Aboriginal and Torres Strait Islander peoples of this land. We acknowledge the traditional custodians of the land on which our Municipality is located. We pay our respects to Elders, past, present and future. We are committed to honouring Australian Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to the land, waters and seas and their rich contribution to our community.

Cover Image: Kiama New Years Eve Sky Show 2017 with thanks to Phil Winterton Photography

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Attachment 1

## Community vision

Working together for a healthy, sustainable, and caring community.

## Council mission

Kiama Council will work to create a Municipality that has a healthy, vibrant lifestyle, beautiful environment and harmonious, connected and resilient community.

## Council values



### RESPECT

We treat others as we expect to be treated - in a fair and professional manner.



### INNOVATION

We champion change in order to provide superior services to our community.



### INTEGRITY

We are open, honest and ethical in our behaviours - at all times.



### TEAMWORK

We are one team - working together with trust and commitment to achieve shared goals.



### EXCELLENCE

We aspire to be the best - in everything we do.





## Message from the Mayor



### The 2017-18 year was one of changes and challenges for Council.

Michael Forsyth retired after 17 years as General Manager, leaving an amazing legacy of community service, handing over the reins to Kerry McMurray.

Kerry's vast experience in local government, and passion for staff development and process improvement, stands us in good stead to meet the many challenges ahead.

Joining Kerry is new Director Environmental Services, Linda Davis. Linda is one of the most experienced and respected planners in NSW, and we are fortunate to have her on board, as we face significant challenges from the continued expansion of south-west Sydney.

In a further change, Clare Rogers has been appointed Director Blue Haven, allowing her to focus exclusively on our large range of aged care services.

This includes the \$105.9 million Aged Care Centre of Excellence (Blue Haven Bonaira), which is on track for completion in September 2019. As well as 58 independent living units, the complex will include a brand new nursing home, with historic Barroul House as its centrepiece.

Every one of our Blue Haven

residents can be assured of continuing to receive the very best of care, with the Aged Care regulator giving staff a perfect report card during their reaccreditation.

Blue Haven staff have also been busy helping clients prepare for the National Disability Insurance Scheme (NDIS) era, shifting from their existing Community Care Support Program to various NDIS packages.

Council's new tourism and events unit, Destination Kiama, has had a productive first year, developing a Strategic Tourism and Events Plan, Tourism Opportunities Plan and Events Strategy, that will guide the long term growth of this important sector of our economy.

Destination Kiama has also established a partnership program, events training, an events funding program, and the Above and Beyond Awards to recognise excellence in tourism.

Council continues to upgrade our holiday parks to meet growing demand and changing standards.

Most significant of these is the announcement of a \$6 million investment in Warri Beach Holiday Park to modernise facilities, and accommodate more visitors, including those requiring accessible cabins and facilities.

The \$3 million Gerringong Library and Museum project is progressing, with the existing museum collection now stored at a temporary site, before work commences.

Preliminary designs for the \$4 million Minnamurra Boardwalk and Cycleway were completed.

Jamberoo Pool was upgraded with a new pool deck, ramps and accessible amenities.

New playgrounds were installed at Bonaira Oval and Gainsborough Reserve, and the Jamberoo cycleway way has been extended to Browns Lane.

The old timber bridge at Carrington Falls was replaced, to ensure residents can reach their homes in safety in times of flooding.

The jetty at the Kiama Harbour was repaired and given a new floating platform.

A new stormwater system was commissioned to service the 100 homes at Cedar Ridge Stage 2.

The car park at Kiama Leisure Centre was expanded, providing more than 70 new spaces.

An adult lift and change facility was installed at Kiama Harbour, allowing those with disability to better enjoy the rock pools, and other attractions in the area.

Project Airship continues to develop, with a new camera system our shark-spotting blimp

logged more than 200 hours over Surf Beach during the summer.

Behind the scenes Council invested in a new phone system to help our customer service team and the great work they do.

We also upgraded our I.T. network and storage systems to ensure security and reliability.

Our Community Services team rolled out a number of new initiatives, including a health and sustainability grants program, community gardens grants program, and the Timebanking program.

A significant new undertaking is the Aboriginal Cultural Sites Project, which now has a consultative committee to guide this important work.

CENTRAL Youth Services' new Intergen Munch Out program proved a major success, winning the NSW Local Government Heart Foundation Award.

Of course, staff have also been more than busy during the year providing our day-to-day services and facilities:

- More than 1,160,000 bins were collected
- More than 600 tree management activities were completed
- 40 roads were resealed
- Lifeguards oversaw the safety of an estimated 349,000 people who visited our beaches
- 400 development applications were processed
- Customer Service team received more than 40,000 phone calls
- Rangers returned more than 200 dogs to their owners
- The Leisure Centre had 280,000 visitors
- Kiama Library loaned more than 124,265 books, DVDs and CDs
- More than 500 customers provided with food safety advice and training

The range and volume of work Council manages is a testament to our staff, who have developed and adopted key values to guide their work: respect, integrity, innovation, teamwork and excellence.

This reflects a pride in their work, and the standards they set in serving their community.

I want to conclude by thanking our community for their support of our staff over the last year.

I'm conscious that ratepayers have shown great faith in their Council, with the Special Rate Variation of 6% that began this year.

I hope this snapshot of our work demonstrates your support is well-placed.



**Councillor Mark Honey**  
**Mayor**  
**Kiama Municipal Council**

## Our Municipality

**Council established** 1859

**Population** 22,378  
(2017 est)

**Area** 259 km<sup>2</sup>

**Boundaries:**

City of Shellharbour | City of Shoalhaven | Shire of Wingecarribee

**Major towns and villages:**

- Minnamurra
- Kiama Downs
- Kiama
- Jamberoo
- Gerringong
- Gerroa



# Our organisation



Item 3.2

Attachment 1

## Our results

Our annual report outlines Council's achievements in implementing the main actions in its *Delivery Program 2017-21* for the 2017-18 financial year. It also reports on our financial results for the year ending 30 June 2018 and looks at some of our major achievements over this time.

## Our objectives

Council's *Community Strategic Plan 2017-27* is the Community's overarching 10-year plan for the Municipality.

Priorities and strategies identified under this Plan's four main objectives link directly to the actions and activities in our *Delivery Program and Operational Plan*.

The four main objectives of the *Community Strategic Plan 2017-27* are:



**A healthy, safe and Inclusive community**



**Well planned and managed spaces, places and environment**



**A diverse, thriving economy**



**Responsible civic leadership that is transparent, innovative and accessible**

## Financial overview and financial statements

Council's consolidated surplus from continuing operations for the financial year amounted to \$6.364m.

It includes a revenue item (non-cash) for the contribution and discovery of infrastructure assets of \$4.19m relating to new subdivisions.

Removing capital income from the surplus, Councils operating result for 2017-18 amounted to \$96k. This result is a decrease of \$3.78m of the 2016-17 result.

This reduction is due in part to a loss of \$1.202m at Blue Haven Care and return of funding for the Carer Respite Program.

Income Statement Summary	2018 \$'000,s	2017 \$'000,s
Total Revenue	\$61,920	\$73,953
Less Operating Expenses	\$55,556	\$53,221
<b>Net Operating Result</b>	<b>\$6,364</b>	<b>\$20,732</b>
Less Capital Income	\$6,268	\$16,855
<b>Net Operating Result before Capital Income Surplus/(Deficit)</b>	<b>\$96</b>	<b>\$3,877</b>

The simplified Balance Sheet below shows the value of the community's assets as at 30 June 2018 that Council managed. This is calculated by Total Assets - Total Liabilities = Net Community Assets.

Simplified Balance Sheet Summary	2018 \$M	2017 \$M
Cash and Investments	\$32.7	\$39.4
Infrastructure, Property, Plant and Equipment	\$354.0	\$357.2
Receivables and Other Assets	\$93.2	\$89.2
<b>Total Assets</b>	<b>\$479.9</b>	<b>\$485.8</b>
Payables	\$83.9	\$75.7
Borrowings	\$3.4	\$3.8
<b>Total Liabilities</b>	<b>\$87.2</b>	<b>\$79.5</b>
<b>Net Assets</b>	<b>\$392.6</b>	<b>\$406.3</b>

--



**22,378**  
residents in 2017

A healthy, safe  
and inclusive  
community

**31.75%**  
population  
aged over **60**



**1,328**  
people aged  
**80**  
or over

**18% youth**  
(0-15 yrs)



**4,745**  
people volunteer



**79.52%**  
Australian born  
↑NSW av 65.49%



**386** residents  
identify as Aboriginal  
and/or Torres Strait  
Islander



**89.47%**  
speak English only  
↑NSW av 68.54%



**51.75%**  
two person  
families  
↑NSW av 45.07%



Item 3.2

Attachment 1

 **124,265**  
library loans  
processed

**1.1 Developing and implementing services and programs that promote social cohesion, healthy and active lifestyles for residents of all ages, abilities and interests**

The Dementia-friendly Kiama Project continued to receive national and international recognition and new educational material was developed for future education opportunities. The Project continued to engage with local businesses to promote awareness and inclusion of people living with dementia. Multiple speaker presentations were made, including outside the Kiama area and disability access considerations were included in the Tourism Opportunity Plan. Additional funding has been secured to keep a project officer employed until December 2018.

The Annual Sorry Day event was held in May and was well received. Progress in engaging with, and involving Aboriginal residents in Council activities was accelerated during this period through the range of activities the Aboriginal Liaison Officer has been involved in. These include the establishment of the Consultative Committee for the Aboriginal Cultural Sites project, participation in Aboriginal Education Consultative Group (AECG), participation in the planning and delivery of the partnership project with Kiama High School and the annual NAIDOC Awards. Activities were undertaken to support reconciliation through acknowledgement of the Stolen Generation and raising awareness of Culture and Country at Sorry Day.

Music in the Park continues to be received positively by residents and visitors. The Kiama Jazz and Blues Club were successful in obtaining

a three-year contract for the project, subject to annual review. The Cultural Board has met regularly throughout the year and has been actively involved in assessment of the Kiama Cultural Grants and Arts Honour Roll, along with critical feedback to Council on public art installation including the Michael Purdy sculpture at Gerringong, urban artwork by Trait at the Old Stables, Kiama Showground and urban artwork by Mikey Freedom at the Jones Beach toilets.

Kiama library introduced a number of new programs, including Toddler Tales and Paws'n'tales. Both of these literacy programs provided opportunities for our community to encourage a love of reading and develop language and literacy skills. The second Kiama Readers Festival was held and provided seven sessions, including a sold out launch event, author talks throughout the day and a festival dinner. Five hundred and eighty-six people attended the Festival over two days.

The existing museum structure at Gerringong was relocated adjacent to the Men's Shed, to make way for construction of the new Gerringong Library.

**5,567**  
internet hours  
provided. 

The Disability Access Committee met five times during the year and addressed 32 issues within the community.

**160** people  
attended a Regional  
Food Fairness Event 


Timebanking is well established in Kiama now and continued to be promoted with new members joining regularly.

The Kiama annual volunteer acknowledgement event was

held on Friday 25 May 2018, with Blue Haven enjoying the support of 115 active volunteers.

The SENTRAL Intergen *Munch Out* program culminated in June and provided a range of outcomes for the Youth Service. These include over 300 people of all ages and abilities engaged in the project. The project was nominated for the NSW Local Government Excellence Awards and won the NSW Local Government Heart Foundation Award for best program. The Intergen *Munch Out* Recipe Book was created, which is currently widely available throughout the local area. Gym equipment was purchased and a SENTRAL Gym was created at Kiama High School.

**10** programs  
implemented in  
conjunction with  
local schools, and   
**8**  
Youth Advisory  
Committee meetings held 

**63** young  
people provided  
with assistance,  
information or referrals  
on specific youth  
issues 

**37** young  
people trained  
through the Barista  
training program 

There were 32 programs/ events/activities offered to young people during the year, with 2,465 young people accessing the SENTRAL Youth Centre and its programs.

A review of the Kiama Health Plan was completed and endorsed by Council, with a draft Health Plan 2018-21 drafted and expected to be

finalised by September 2018. A health and sustainability grants program and a community gardens grants program were launched, and a total amount of \$12,070 was awarded to Kiama community groups.

Successful external grant funding of \$68,000 was received for the Jamberoo Valley Cycleway extension. Jamberoo pool refurbishment was completed and is now fully accessible, with new ramps, amenities and pool lift installed.

**1.2 Planning for and assisting specific needs groups**

All Blue Haven Care clients transitioned out of the Community Care Support Program as funding ceased from 30 June 2018. Clients continue to receive support through their National Disability Insurance Scheme (NDIS) package. Third Party Verification for the Community Care Support Program was achieved in April 2018. Due to the continued demand for community transport, the program once again met all target outputs and feedback on the service provided has been very positive.

Commonwealth Home Care Package numbers have continued to fluctuate over the last 12 months due to a shortage of available packages and the increasingly competitive environment. It is anticipated that a marketing and promotional campaign will see an increase in these numbers over the next 12 months.

 **115**  
Blue Haven volunteers


Volunteers continue to provide an amazing level of support at Blue Haven, with them assisting in many facets of the Home adding to the wellbeing of the residents.

There are currently 123 people on the waiting list for Blue Haven Terralong. Waiting

times vary according to the type of unit nominated.

Work continues on the development of the Kiama Aged Care Centre of Excellence (KACCOE). Additional grant funding towards the project has seen the total budget for this project increase to around \$105.9M, with approximately 30% of the budget spent to date. The main works project completion date of mid-July 2019 remains on target. Once completed the new site will house an Aged Care Home with 134 beds, 58 Independent Living Units and Barroul House, which will include a restaurant open to the public and residents alike.

 KACCOE development will provide additional **58** Independent Living Units

New Aged Care Home (KACCOE) will result in **134** beds 

Blue Haven Care achieve **44 out of 44** outcomes  in recent accreditation

Blue Haven Care Home underwent reaccreditation by the Australian Aged Care Quality Agency in June 2018 and were assessed as meeting all 44 expected outcomes of the Aged Care Accreditation Standards. The assessors noted that the feedback from residents and families was extremely positive and that a culture of excellence existed at the Home. This is an enormous achievement when many other Homes across New South Wales have been sanctioned for not meeting these standards.

SENTRAL is committed to building and maintaining relationships with a range of



youth service providers to help provide opportunities for a young person's personal development.


 **32** programs and events offered to young people  
Young People accessing **SENTRAL 2,465**

During the year SENTRAL worked closely with Kiama High School, Kiama, Minnamurra, Gerringong, Jamberoo and St Peter and Pauls Primary School's, Monash University, Essential Personnel, Kiama Teen Clinic and Parents and Friends of Lesbians and Gays (PFLAG). These relationships allow young people to receive the best quality assistance locally, easing potential anxieties and personal pressures.

**1.3 We live in a safe community**

The 2017-18 Patrolled Beach season commenced on 25 September 2017, with both Surf Beach and Warri Beach opening. The remaining beaches commenced their patrolled season 16 December 2017. All Kiama beaches were well patronised during the season. The Patrolled season concluded Monday 30 April 2018.

**82** rescues and **236** instances of first aid by ocean lifeguards  

**> 349,000** people attended Kiama beaches 

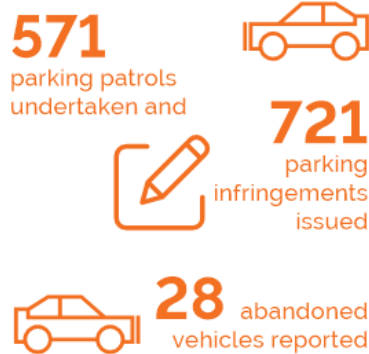
In December 2017 Council was successful in receiving a grant valued at \$38,500 under the NSW Observation Grants



Program to purchase a Junior Observation Tower, which will be installed at Kendall's Beach mid-year.

Council's Beach Lifeguard delivered eight Surf Education Awareness sessions to 1,100 local primary students at four local schools in September 2017.

Council's Crime Prevention Plan is currently under review and Council's CCTV program has been extended to include cameras located at Kiama Harbour.



A total of 323 annual inspections were undertaken for Onsite Sewerage Management Facilities. Four hundred and fifty-five customer enquiries were received and provided with advice and information about food safety. Council distributed four newsletters, two food safety alerts and invitations to six workshops were distributed to 356 food premises and operators.

The Swimming Pool Barrier Inspection Program is progressing well, but is taking longer than anticipated due to the inspectors needing to work around property owners' schedules. This program will continue to the end of the 2019 financial year.



Council continued to meet all obligations for implementing public health and community compliance regulations and programs during the 2017-18 financial year under the Companion Animals Act, Roads Transport Act, Impounding Act, Crown Lands Act and Road Rules. All environmental health complaints were investigated within the adopted timeframe of within 48 hours.

Council is committed to the Local Government Road Safety Program which is one of the actions in the Transport for NSW Road Safety Plan 2021. Its aim is to reduce deaths and serious injuries on local roads with the overall aim to move NSW towards a long-term aspirational goal of zero road trauma. Almost half of NSW road trauma occurs on local roads. In the five years between 2012 and 2016, six people were killed and 94 seriously injured on roads in the Kiama Municipality, at an estimated cost to the community of over \$66 million. Seventy-three percent of casualty crashes in the Kiama Municipal Local Government Area occur on local roads. The Local Government Road Safety Program is one of a range of programs funded through the NSW Government's Community Road Safety Fund to improve Road Safety at a local level in the Kiama Municipality.





Kiama area  
**259k<sup>2</sup>**

and

**573ha**

Council maintained land

Well planned  
and managed  
spaces, places  
and environment

**50%+**   
of households own  
more than 2 cars

 **6,962**  
travel to work  
by car/motorbike

**0.57%**   
travel to work by train

**83km**  
footpaths and  
cycle ways and 

 **208km**  
kerb and gutter

**41**   
road bridges  
and **89km**   
of stormwater network



**4** rural fire service buildings,  
**2** state emergency service  
buildings, **19** community service  
buildings, **27** public amenities  
buildings, **3** surf life saving clubs,  
**32** sports and recreation facilities

Item 3.2

Attachment 1

**2.1 Maintain the separation and distinct nature of local towns, villages and agricultural land**

The Ooaree Creek/Werri Lagoon flood study commenced with consultation and investigation completed and modelling currently being completed. The Study is expected to be finalised by end of 2018. Current flood studies will roll over into next financial year.

The Town Centre Brief is finalised and ready to go out for expression of interest in the first quarter of the new financial year. A total of three Planning Proposal amendments were gazetted during the 2017-18 financial year.

Council continues to uphold its statutory responsibility with respect to heritage, with a total of 15 Development Applications (DAs) being referred to Council's Heritage Advisor during the year for assessment and comment in accordance with adopted Protocols.

**15**

DAs referred to Heritage Advisor



An amendment to the Development Control Plan (DCP) for changes to tourist and visitor accommodation on rural land was prepared to minimise the impact of these facilities on agricultural property.



**3**  
Planning Proposal amendments gazetted

**2.2 Our community and natural environments are adaptive, resilient and sustainable and Informed of predicted climate change Impacts**

The Minnamurra landfill leachate remediation project commenced, with extraction

pumps and monitoring bores installed around the ammonia plume under the remediated Minnamurra landfill site. Monitoring associated with establishing baseline water level and water quality parameters have been collected, with this information informing the proposed pumping regime to be started in the first quarter of 2018-19.

Grant applications for Blue Angle Creek erosion control options assessment and Minnamurra wetlands weed control project were submitted and the expected date for announcement of the grants was extended, therefore it is unknown if Council has been successful with these applications. It is expected to hear about the result of these applications in the first quarter of 2018-19.

Council applied for funding from the Office of Environment and Heritage (OEH) Coast and Estuaries Program to undertake the development of a coastal management program for Jones Beach and Werri Beach. The OEH asked if Council was prepared to undertake a coastal management program for the entire Local Government Area (LGA), rather than just for two beaches. Council determined to allocate funding to undertake the coastal management program for the LGA and an application was re-submitted to the department. This was approved for funding by the OEH and Council accepted the funding and will undertake the development of the coastal management program for the Kiama LGA over the next three years. Council is required to develop a work plan for the project by November 2018.

Assistance given to active groups was mostly supplying plants, waste bags and other materials and collection of waste bags after working days. Jones Beach Landcare formed and were very active during the

year with numerous calls for assistance.

Grant funding was accepted for the Minnamurra headland erosion control work from the Office of Environment and Heritage. Two applications were lodged for funding to undertake weed control works in the Minnamurra Wetlands and erosion control assessment in Blue Angle Creek, through the NSW Coast and Estuary program. Funding was accepted from NSW Local Land Services for weed control and revegetation at Spring Creek.

There have been many changes to the funding and operational requirements under the Biosecurity Act. Illawarra District Noxious Weeds Authority (IDWA) on behalf of Council complied with new electronic reporting requirements of Biosecurity Regulation.

National Tree Day activities occurred in August 2017, with four sites prepared on Council land at Bombo headland landcare site, hillside landcare, Seven Mile Beach Reserve and



Gainsborough Reserve.

Signage was installed along the coastal walking track between Kiama Heights and Gerringong updating NSW Wildlife Information and Rescue Education Services (WIRES) information specific to flying foxes caught in fencing along the track. Signage was also installed at Seven Mile Beach Reserve relating to endangered oyster catchers nesting on the beach. Two biodiversity education workshops were

delivered as part of World Environment Day workshop program. One native bees workshop and one Birds of the Illawarra workshop.

**2.3 The principles of ecologically sustainable development and compliance underpin town planning and local development**

Average Development Application processing time continued to rise due to an increase in Development Application volume and complexity, attending to five Class 1 Land and Environment Court Appeals, increased compliance burden, changes to standard documents created by changes to the numbering of Environmental Planning and Assessment Act 1979, contraction of staff delegations by Councillors and release of planning circular on the use of clause 4.6 Variations which require more Development Applications to be reported to the elected Council for determination. All Development Applications determined were assessed in accordance with statutory obligations under section 4.15 of Environmental Planning and Assessment Act 1979.

Five hundred and forty-five Section 149(2) Certificates and 247 Section 149(5) Certificates were issued during the 2017-18 financial year, with only two outside of the three-day turnaround time.



Total Section 94 contributions for the year were \$778,142 which related to 107 Complying Development Certifications (CDCs) and Development Applications (DAs). Ninety-two percent of all engineering referrals were completed within

14 days and all road occupation permits were completed within five days or less.



All Tree Management Applications were processed in accordance with adopted timeframes. All permit and compliance inspections were carried out in accordance with adopted timeframes.



**2.4 Effectively manage our waste and resources**

During the 2017-18 financial year a trial was undertaken to extend the Community Recycling Centre (CRC) opening hours on Saturday until 4 pm. At the completion of the trial Council agreed to continue with the opening of the CRC on Saturdays from 8 am until 4 pm.

One hundred percent of all scheduled services for domestic, rural and commercial services have been completed on the nominated day of service from 1 July 2017 until 30 June 2018.



The Regional Waste Strategy, managed by the Illawarra

Shoalhaven Joint Organisation (ISJO) implemented a number of waste management programs during the year including the 'Picitup' program and the 'Plastic Free Kiama' Program.

During the year there were 149 reports received relating to Illegal Dumping in the Kiama Local Government Area, compared to 154 reported incidents for the same period last year. This represents a 3% decrease in total incidents. The annual clean up and landfill disposal costs for illegally dumped waste was \$6,219.



The Kiama 'Boomerang Bags' program continued, with 4,500 reusable bags being made since March 2017.



The Household Kerbside Clean-up, Household Chemical Clean Out and Household Bulky Waste pick-up programs continued in 2017-18, as well as two Second Hand Saturdays and the Organics Kiama Compost giveaway program.



Waste Services calendars were distributed to 11,000 urban and rural households for the 2018-20 financial years. Seven workshops were held in June 2018 as part of the World Environment Day, with 140 people participating.



**2.5 Effectively manage our transport, drainage and other Infrastructure and assets**

Council's roads renewal program was completed within budget, including works to Link Street, Beach Street and River Street Minnamurra.

New roads commissioned during the year include Merrick Cct, Blair Street, Fadden Street, Alison Street and Downey Street Kiama.



The maintenance of Council roads, footpaths and cycleways was completed within budget, excluding planned work to Bombo Quarry pathway due to delays with improvements required by State Rail. The extension of the Jamberoo cycleway from Swamp Road to Browns Avenue Jamberoo was completed on time and within budget.



An audit of accessible parking places was undertaken throughout the Local

Government Area (LGA), with the aim of identifying opportunities for improvements. Two additional accessible parking bays were provided at Kiama Leisure Centre and Jamberoo Pool car parks. An audit of all signs at bus stops throughout the LGA was also undertaken to ensure that signs are accessible. The majority of signs were found to be compliant, with some minor repairs being carried out, including raising and relocation where required.

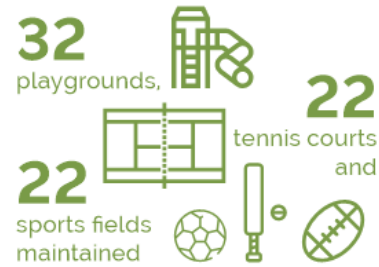
New stormwater infrastructure was commissioned at Cedar Ridge Stage 2 estate, which will service 100 new residential homes at this location. Patch lining of existing stormwater pipes was carried out in Holden Avenue Kiama and Bridges Avenue Gerringong. Stormwater drainage was upgraded at Chapel Lane Jamberoo.



Ooaree Creek / Werri Lagoon flood study underway with consultation and investigation completed. Flood modelling is being finalised with report expected to be finalised at end of 2018 as per forecast.

All required building maintenance was completed in accordance with the adopted work program and within allocated funding, including roofing replacement at Werri Beach Surf Club. Amenities at Kiama Harbour were upgraded to include the provision of accessible adult change facilities, which was commissioned in May 2018.

New playgrounds were completed at Bonaira Oval and Gainsborough Reserve during the year.





**5620**  
jobs in Kiama

A diverse,  
thriving  
economy

**85.62%**  
of households  
are connected  
to the internet



Kiama  
economy  
generates est.  
**\$1.493**  
billion pa

**821** jobs  
supported by tourism  
which generates



**\$37.323**  
million pa revenue

Median house price  
**\$1,010,000**

Median rental  
**\$550**  
/week



**50.03%**  
employed full or part-time

**2.1%** unemployed



**3.1 Promote and encourage business development and economic prosperity in the local area**

The Kiama Economic Development Strategy is a document that was developed in 2014 with many of the strategies identified in this plan still being ongoing or current. The Kiama Regional Economic Development Strategy is currently also being implemented, with a review to be undertaken in conjunction with the 2021 Census.

The Kiama Small Business forum saw Council again partner with Shellharbour and Wollongong Councils in the Economic Gardening program which held two programs (eight workshops) for 48 businesses in the region.

During the year, the Economic Development Committee were proactive in investigating the supply of commercial and industrial lands available for future development and have held discussions with the relevant government departments regarding releasing land that may be surplus to their needs.

**6**  
Kiama Small Business workshops



During the year, six Kiama Small business forum workshops were held.

In addition to this, there were a number of Kiama and District Business Chamber events for business and six Tourism After Hours events.



**6**  
Tourism After Hours events

The Illawarra Business Awards, Food handling workshops for business, The Economic Gardening Program and Kiama Community College training events were also supported. Council and The Kiama and District Business Chamber meet on a regular basis to ensure that the business calendar is well balanced and that the opportunities for business to participate in events is achievable and that event clashes and duplication are minimised.

Following a review of business development applications, the 'Easy to do business' program has been implemented, which will reduce red-tape for businesses wanting to lodge a development application for a restaurant, small bar or café. This pilot program may be rolled out to other business types over the next financial year.

**3.2 Recognise and support Council as a significant purchaser in the local area**

Council has been actively working in partnership with the Illawarra Shoalhaven Joint Organisation (ISJO) to improve procurement processes and engage with regional suppliers/providers to get the best project outcomes. A number of projects/initiatives that were implemented during 2017-18 includes the Regional Roads Renewals Program, the Minnamurra Boardwalk, Renewable energy supplies, and various building upgrade works, including Kevin Walsh amenities and Jamberoo pool. Some of the services which were

awarded to local contractors/consultants based on merit selection, includes Cardno for the Minnamurra Board Walk and Joshluke construction for the Jamberoo pool upgrade.

Kiama Council continues to work and support social enterprises including the Men's Shed, Rotary and the Lions on community projects and have successfully delivered the relocation of the Gerringong Museum, the establishment of the Arthur Campbell reserve and the Kiama respite center.

**3.3 Promote and support tourism in the local area**

Total income for the year for Council's five holiday parks continued to increase from the forecast income and from the previous year.

A substantial amount of maintenance works were undertaken, although not all planned maintenance was completed due to the workload of the Holiday Parks Builder, the lack of staff resources and the boom in the building industry which meant a lack of available contractors.

The main focus in marketing has been social media and digital content. All memberships and subscriptions have been renewed along with advertising in industry magazines. All licences to operate were received.

Planning works commenced for Stage 1 of the Surf Beach redevelopment with the completion of the electrical upgrade plan, and civil design works awarded to SET Consultants Pty Ltd. Sewer upgrades were undertaken at Surf Beach Holiday Park. Grant application for \$150,000 towards the construction of an accessible cabin and a duplex cabin through Destination NSW was successful.

An upgrade of Cabin 7 at Kendall's Beach Holiday Park, resulted in the cabin being partially accessible.

A successful grant submission through Destinations NSW will assist with the construction of an accessible cabin at Surf Beach Holiday Park in 2019.

Werri Beach Business Development Strategy and Master Plan was approved in principle which will include the construction of two accessible cabins and two accessible ensuite sites.

Today tourism is extremely important to our local economy, currently contributing over \$215 million annually and an estimated 1,510 direct and indirect jobs.

The face of tourism has recently changed. In mid-2017, Kiama Municipal Council brought together all tourism operations, marketing and strategic planning in house. The new entity of tourism and events is known as Destination Kiama.

In late 2017, Kiama Council adopted the new Strategic Tourism and Events Plan, which outlines seven key areas of focus and delivery.

In June 2018, Council adopted the four categories of event classification which will underpin the new Events Strategy - Civic, Community, Destination and Major. The Draft Events Strategy has been completed, but is awaiting final direction and input before its presentation to Council.

The Kiama Visitor Information Centre has maintained its Accreditation. A new Operations Manual has been completed, new record keeping has been created, regular meetings and familiarisations are now being held and new services are being investigated.

Information on the importance of accessible tourism has been distributed via our monthly e-news to the local Tourism industry and via the Destination Kiama Facebook page. A presentation on Accessible Tourism has been confirmed for July 24 2018 at the Winter Tourism After Hours Event.

In June 2018 the Pavilion engaged the services of a Marketing Consultant to develop a marketing plan, which will be implemented over the 2018-19 financial year. It is hoped that the benefits of this marketing plan will be reflected in an increase of business and profit.



Responsible  
civic leadership  
that is  
transparent,  
innovative and  
accessible

**30**

courses  
attended by  
Councillors



**518**

informal requests  
and

**5**

formal requests  
for information  
under *GIPA Act*



**77**

public speakers at  
Council meetings  
(Open Access)



**11**

Ordinary  
Council meetings,



**4**

Extraordinary  
Council meetings  
and

**1**



Youth Council meeting held



Item 3.2

Attachment 1

**4.1 Council is financially sustainable**

Council continues to meet the seven 'Fit for the Future' financial health and sustainability ratios with the exception of asset maintenance. All quarterly budget reviews have been completed as required and adopted by Council.

An analysis of our current financial ledger has been completed and, following investigation and analysis, a new structure has been proposed to Council. This project is due for completion by end of June 2019. Research and investigation into different software for the accounts payable workflow is near completion, with the project due to be finalised by end of June 2019.

Council made an application to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation (SRV) of 6%, cumulative for three successive years from 2018-19, however IPART only approved a 6% increase for a 12-month term. Council will resubmit an application for continuation of the variation for the following two years.

Sale of identified surplus land is progressing. Investigation of viability of road closures on western side of Riverside Drive for proposed eight-lot subdivision continues. APP Corporation has been engaged to provide Spring Creek Feasibility Study for potential residential subdivision. Warri Beach Holiday Park business development strategy submitted and presented to Council. Akuna Street development on hold pending further discussions and considerations.

All legislative requirements have been met for the period 1 July 2017 to 30 June 2018. Council has performed above the Reserve Bank 90-day Bank Bill Index for the 2017-18 financial year. Council has achieved an average interest rate on term deposits of 2.51%

for the 12-month period. This return rate is 0.68% above the 12-month average of the 90-day Bank Bill Index.

**20**  
briefing sessions  
for Councillors



**4.2 Council embraces good governance and better practice strategies**

The Audit Risk and Improvement Committee has been formed and regular meetings scheduled.

Some recurring Work Health and Safety (WHS) tasks will rollover to the next reporting period. Tasks include; Statecover WHS audit, Emergency management planning and exercises, First aid refresher training, Safety document review and distribution.

Assessment and recommendations for public risk exposure plays an important part in our role. Our aim is the strategic elimination of identified risks and education of staff on public risk exposure and appropriate preventative actions.

Implementation of the Injury and Illness Management Protocol and completion of the Return to Work Program have been completed. Administration of Question, Persuade, Refer (QPR) suicide awareness and prevention training was offered to all staff.

Implementation of Injury Management Protocol and Return to Work Program is completed. We achieved below base tariff premium for 2017-18 financial year.

Continuous Risk Improvement Program (CRIP) audit items reviewed by Council's Management – Executive Team (ManEx) monthly and also reviewed quarterly by Audit, Risk and Improvement Committee. All measures committed to with the exception of three, have been commenced. WHS Management System Audit

reviewed and three identified opportunities for improvement commenced. Departmental Risk Register reviews underway with expected full rotation complete by end of 2018. Advanced Risk Inductions capture new managers.

Major components of the Human Resources Program of Works have been developed and implemented during the annual reporting period. Notable achievements across the portfolio include:

- significant recruitment initiatives - General Manager, Director Environmental Services and various Level 3 Manager recruitments during the annual period
- significant system improvements in Payroll
- review and implementation of the Performance Review System to align with Council's Values
- substantial review and transition to the new position description template that aligns to Values and the job evaluation system
- three significant variations to organisational structure implemented during the annual period.

It has been a busy year from an Organisational Development perspective with solid foundations being established for ongoing work. The uncovering of our Organisational Values was a pivotal piece of work and ongoing work will focus on strategies for embedding them.



**2**  
Councillor  
workshops

The Pilot Joint Organisation transitioned to Illawarra Shoalhaven Joint Organisation (ISJO) with policies developed for the new entity. The new ISJO

Board was elected in June 2018. ISJO continue to work with State Government on various projects for the area.

ISJO Hope Centre partnership dissolved due to various factors. The Cities Power Partnership actions are underway with photovoltaic system to be installed at Kiama Library and investigations into installation of electric vehicle recharge stations.

Regular meetings have been conducted with the Member for Kiama, Sydney Trains, Boral, Department of Planning and Department of Premier and Cabinet representatives to discuss rehabilitation of Bombo quarry with feasibility study commenced. Emergency Management objectives for water treatment plants were discussed with Sydney Water.

**8**  
civic functions  
held by Council



**4.3 Council and community working together**

The main priority for Council's website in 2017-18 was to provide users with up-to-date information, and to ensure internal publishers were trained with skills, knowledge and confidence to efficiently complete website tasks. During the year we reviewed Council's website, with 780 articles being removed, 136 documents removed, and 112 out of date images removed. We created over 220 new articles and modified almost 1,000 to ensure the website was current. This 'clean up' work is preparing the site for Stage 1 of a project to redesign and overhaul the website during 2018-19.

The Terms of Reference for the Planning Committee were revised and adopted by Council. All other committees were determined as suitable until the next planned review in 2018-19.

Toward the end of 2017-18,

Council contracted me2accessibility to conduct an accessibility audit of Council's website. It received a satisfying 74% compliance rating. In the 2018-19 financial year, we will begin Stage 1 of a redesign of Council's website. The redesign will see a new approach to how we provide online services and information, with accessibility playing a significant role.

A review of all Council's stationery, forms and correspondence was commenced. This project goal is to achieve consistent branding, provide customers with quality and Plain English information, and satisfy changes to privacy legislation.

This year Council's Communications Unit assessed its methods of communication, with a goal to streamline tasks and make sure resources were being used effectively, a decision to stop using Council's Twitter account was made. This has allowed the team to focus on its Facebook account, which has proved to be a more popular platform with the community. New Facebook Likes continued to increase throughout the year.

Council's Community Engagement Strategy is scheduled to be reviewed in 2018-19 financial year. The frequency of the email edition of Kimunico was increased from monthly to weekly in order to provide more timely information to subscribers.

**77**  
speakers  
addressed Council  
at Public Access  
meetings





Other required  
information  
under the Local  
Government  
Act/Regulations

Item 3.2

Attachment 1

## Mayor and Councillors

### Meetings and attendance of Councillors

Council conducted twelve Ordinary Meetings, 4 Extraordinary Meetings and 1 Youth meeting during 2017-18.

	Ordinary meetings	Extraordinary meetings
Clr Mark Honey	12	4
Clr Matt Brown	8	4
Clr Neil Reilly	11	4
Clr Kathy Rice	10	4
Clr Andrew Sloan	11	4
Clr Warren Steel	10	3
Clr Don Watson	11	4
Clr Mark Way	12	3
Clr Mark Westhoff	8	4

### Mayor and Councillor fees and expenses paid

The following fees and expenses were incurred during the 2017-18 financial year for the provision of facilities to Councillors in relation to the carrying out of their civic duties.

Description	Amount Paid
Mayoral Fee	\$57,459.00
Mayoral vehicle expenses	\$9,822.33
Councillor Fees	\$156,616.00
Councillor Expenses	\$1,480.54
Cost of dedicated office equipment	\$23,857.00
Cost of telephone calls: including mobile, home located land-lines, facsimile and internet services	\$8,150.00
Cost of conference/seminar expenses	\$27,616.65
Cost of training and provision of skill development	\$21,068
Mayor and Councillor interstate visits including transport, accommodation and other out-of-pocket travelling expenses	\$9,672.35
Mayor and Councillor overseas visits including transport, accommodation and other out-of-pocket travelling expenses	Nil

Mayor and Councillor – expenses of any spouse, partner or other person who accompanied the Mayor or Councillor, being expenses payable in accordance with the Guideline	Nil
Mayor or Councillor expenses for the provision of care for a child or an immediate family member in relation to carrying out civic duties	Nil

### Overseas visits by Councillors, Council staff, or Council representatives

No overseas travel was undertaken by Councillors, Council staff or representatives during the 2017-18 financial year.

## Council's General Manager and senior staff payments

Council employed one position under the provisions of the *Local Government Act* as 'senior staff' for the 2017-18 financial year, being the General Manager. However, two individuals held the role of General Manager for part of the 2017-18 financial year. The total amount paid to the General Manager position for the financial year includes:

- Total value of the salary component
- Amount of any bonus, performance or other payments that do not form part of the salary component
- Employer contribution or salary sacrifice amount payable to any superannuation scheme to which the General Manager may be a contributor
- Total value of any non-cash benefits for which the General Manager may elect under the package
- Total amount payable by way of fringe benefits tax for any such non-cash benefits.

Total value \$302,576

## Amount of rates and charges written off during the year

No rates or charges were written off during the 2017-18 financial year. Pension rebate of \$433,010 was granted for the financial year.

## Money granted

Details	Amount
Anzac Day	\$1,856.50
Christmas Decorations Kiama	\$1,524.55
Contributions - Kiama Carols	\$2,000.00
Contributions - Kiama Jazz Committee	\$19,659.70
Contributions - Southern Stars	\$2,000.00
Cultural Grant - Rock of Ages	\$3,000.00
Cultural Grant	\$5,000.00
Cultural Grant - Jones Beach Mural	\$3,000.00
Cultural Grant - The Water Runner	\$3,000.00
Gerringong Public School Fete	\$250.00
Gerringong Surf Music Festival	\$1,164.09
Healthy Living Festival	\$1,659.00
Illawarra Academy of Sport	\$6,000.00
Illawarra Folk Club	\$5,262.73
Jamberoo Beat it Exercise Group	\$250.00
Jamberoo Public School Fete	\$250.00
Jamberoo Red Cross	\$250.00
Kiama Bowling Club - Ladies Bowling Jarrett Tournament	\$500.00
Kiama Bowling Club - Presidents open Weekend	\$500.00
Kiama Central Precinct	\$500.00
Kiama Colour Run	\$115.60
Kiama Community Garden	\$1,000.00
Kiama Downs SLSC	\$7,000.00
Kiama Garden Club	\$250.00
Kiama Readers Festival	\$1,325.00
Kiama Red Cross fun run	\$2,000.00
Kiama Relay For Life	\$772.00
Kiama Rugby sevens	\$9,900.23
Kiama Show Society	\$350.00
Kiama Tennis Club	\$250.00
Kiama U3A Inc	\$1,000.00
KISS arts festival	\$10,000.00
Koori Kids - NAIDOC School initiative	\$450.00

Details	Amount
Landcare Illawarra	\$909.09
Lions Club of Kiama	\$2,272.73
Minnamurra Progress Association	\$250.00
Minnamurra Public School Outdoor Living Classroom	\$250.00
New Year's Eve Kiama	\$1,697.16
North Kiama Neighbourhood Centre	\$393.64
Queen's Baton Relay	\$18,264.42
Remembering Kiama District memorial Book	\$2,500.00
Rotary Club of Gerringong Sunrise	\$250.00
Shine Kiama	\$250.00
Slow Food Saddleback	\$250.00
Steel City Strings Orchestra	\$500.00
Surfing NSW	\$2,000.00
Tathra Bushfire Mayoral Appeal	\$5,163.91
Triple Care Farm	\$10,000.00
Youth Arts Scholarship	\$1,000.00
<b>Kiama Harbour Cabins Contributions</b>	
Kiama Jazz & Blues Fest	\$200.00
Kiama Gamefishing Club	\$54.55
<b>Surf Beach Holiday Park Contributions</b>	
Kiama Jazz & Blues Fest	\$200.00
Kiama Gamefishing Club	\$54.55
<b>Kendalls Beach Holiday Park Contributions</b>	
Kiama Jazz & Blues Fest	\$200.00
Kiama Gamefishing Club	\$54.55
<b>Werri Beach Holiday Park Contributions</b>	
Kiama Jazz & Blues Fest	\$200.00
Kiama Gamefishing Club	\$54.55
<b>Seven Mile Beach Holiday Park Contributions</b>	
Kiama Jazz & Blues Fest	\$200.00
Kiama Gamefishing Club	\$54.55
<b>Total</b>	<b>\$139,263.10</b>

Item 3.2

Attachment 1

## Section 94 and 94A contributions

Council has seven Section 94 Contributions Plans (S94) and one Section 94A Indirect Contributions Plan. These plans set out the financial contributions that developers are required to make to Council, to be spent on providing a range of public facilities throughout the Municipality.

Funds received in 2017-18 – From Note 17 financial statements

	S94	S94A	Total Income
Total excluding interest	\$ 547,530.38	\$280,471.36	\$828,001.74
Total including interest	\$ 82,568.57	\$14,898.20	\$97,466.77

Works Undertaken	Expenditure
Leisure Centre - Plan 1	\$88,566.00
Tennis Courts - Plan 1	\$31,909.00
Jubilee Oval - Sporting Complex - Plan 1	\$40,399.00
BH ACF - Construction - Plan 1	\$1,230,945.00
Youth Facility - Plan 1	\$61,395.00
Stafford Street, Gerroa - Plan 3	\$1,481.00
Fern Street, Gerringong - Plan 3	\$4,600.00
Precinct 2: Morton - Plan 4	\$400.00
Cycleway/pedestrian link - Plan 7	\$165,451.00
Bland St, pedestrian link - Plan 7	\$30,395.00
Resealing Program - Plan 94A	\$33,650.00
Parking and Pedestrian Imp - Plan 94A	\$39,820.00
Footpath Asset Renewal - Plan 94A	\$27,980.00
Construction of Footpath - Plan 94A	\$29,292.00
Landscape - Plan 94A	\$7,292.00
<b>Total Expenditure</b>	<b>\$1,793,575.00</b>

Works	Contributions Recoupment
Figtree Lane Gerringong - carpark redesign	\$4,450.00
Kiama Harbour Public toilet change table	\$50,430.20
<b>Total Recoupments</b>	<b>\$54,880.20</b>

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## Government contracts (over \$150,000)

The following contracts with a value of more than \$150,000 were awarded during the 2017-18 financial year.

Contractor	Goods/services	Estimated amount payable under the contract (including GST)
Richard Crookes Constructions Pty Ltd	Design and construct Kiama Aged Care Centre of Excellence (KACCOE)	\$91,377,239
Refueling Solutions/Maxi-Tankers	Supply of bulk fuel	\$1,320,000
Affective Services Pty Ltd	Construction of Carrington Falls bridge approach roads and demolition of existing timber bridge	\$213,158
Computer Systems (Australia) Pty Ltd	Procurement and implementation of various equipment and services to build a comprehensive data and voice network	\$458,675
C&J Faff Building Service & Josluk Pty Ltd	Refurbishment of Jamberoo public pool amenities building and surrounds	\$294,740
H & C Robbins Pty Ltd	Management of Werri Beach Holiday Park	\$1,605,776
ROADWORX	Supply and deliver Ashphaltic Concrete	\$154.45 per ton
Flick Hygiene Services Pty Ltd	Sanitary services and disposal / cleaning services	\$200K > across four Regional Councils
JCB Construction Equipment Australia	Supply and deliver backhoe loader	\$207,695
Sydney Truck and Machinery	Supply and deliver 2 side loader garbage compactors	\$822,428

Item 3.2

Attachment 1



## Condition of public works

### Local and regional roads

The following values are for Council's transport and communication assets (excluding land under roads).

Asset class	Written value at 30/6/17 (\$000)	Estimated cost to bring to satisfactory standard (\$000)	Estimated annual maintenance cost (\$000)	Maintenance expenditure 2017-18 (\$000)
Public roads	\$121,515	\$1,795	\$1,583	\$1,519

### Stormwater drainage

Asset class	Written value at 30/6/17 (\$000)	Estimated cost to bring to satisfactory standard (\$000)	Estimated annual maintenance cost (\$000)	Maintenance expenditure 2017-18 (\$000)
Drainage	\$27,759	\$125	\$142	\$69

### Buildings

Asset class	Written value at 30/6/17 (\$000)	Estimated cost to bring to satisfactory standard (\$000)	Estimated annual maintenance cost (\$000)	Maintenance expenditure 2017-18 (\$000)
Public buildings	\$59,724	\$1,653	\$1,731	\$1,637

### Other structures

Asset class	Written value at 30/6/17 (\$000)	Estimated cost to bring to satisfactory standard (\$000)	Estimated annual maintenance cost (\$000)	Maintenance expenditure 2017-18 (\$000)
Other structures	\$6,285	\$0	\$0	\$0

## Stormwater management services provided (levied)

In 2017-18 Council engaged a stormwater consultant to provide a Gross Pollutant Trap (GPT) maintenance schedule and specification at a cost of \$21,000.

Council completed storm water remediation renewal works to defective assets within Minnamurra, Kiama Downs, Kiama and Gerringong at a cost of \$147,396.

## Special Rate Variation (SRV) works

Special Rate Variation amount of \$846,275 for 2017-18 was fully expended on Council's road asset renewal program.

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## Capital Works report

### Kiama Aged Care Centre of Excellence (KACCOE) 2017-18

The project is forecasting an underspend of \$0 with \$5m of ncommitted contingency. Refer to section 8 for further details.

Item	A Budget (\$) (indicative)	B Approved to Date (\$)	C Forecast Final Cost (\$)	D+A-C Forecast Uncommitted (\$)	E Spent to Date (\$)
Const - Early Works	\$4,250,000	\$1,150,482	\$4,330,650	-\$80,650	\$4,184,363
Const - Main Works (Prelims & Margin)	\$15,632,892	\$15,632,892	\$15,632,892	\$0	\$3,532,105
Const - Main Works (RACF)	\$29,702,143	\$29,702,142	\$29,702,143	\$0	\$1,848,738
Const - Main Works (Community & Loft Apartments)	\$6,037,849	\$6,037,849	\$6,037,849	\$0	\$555,008
Const - Main Works (ILU)	\$19,941,585	\$19,941,585	\$19,941,585	\$0	\$2,043,468
Const - Main Works (External Works)	\$7,455,715	\$7,455,715	\$7,455,715	\$0	\$1,488,801
Const - Main works (Site Infrastructure Works)	\$2,205,752	\$2,205,752	\$2,205,752	\$0	\$0
Const - Main Works (Provisional Sums)	\$775,000	\$775,000	\$775,000	\$0	\$0
Const - Consultants	\$58,870	\$1,319,281	\$1,319,281	-\$1,260,411	\$484,438
Const - Restorations of Barroul House and Associated other Costs	\$2,900,000	\$0	\$2,900,000	\$0	\$0
Consultants - Pre DA	\$1,112,311	\$1,112,311	\$1,112,311	\$0	\$1,112,311
Consultants	\$3,704,989	\$3,612,960	\$2,546,207	\$1,158,782	\$1,933,927
Authorities	\$423,763	\$423,764	\$423,763	\$0	\$423,764
Client Costs	\$1,771,966	\$169,694	\$1,898,687	-\$217,721	\$169,694
Purchase of Land	\$2,819,059	\$2,819,059	\$2,819,059	\$0	\$2,819,059
Contingency	\$5,400,000	\$0	\$5,000,000	\$400,000	\$0
<b>Total</b>	<b>\$104,191,894</b>	<b>\$92,358,486</b>	<b>\$104,100,894</b>	<b>\$0</b>	<b>\$20,595,676</b>

## Legal proceedings summary

### Legal Court actions

Action	Result	Cost \$
<i>Companion Animals Act</i> (appeals)	Nil	\$0
<i>Protection of the Environment Operations Act</i> (appeals)	Nil	\$0
Other Acts (appeals)	Nil	\$0

### Infringements

Action	Result	Cost \$
Road Rules, Transport Act, Road Regulations	194	\$111,669
<i>Companion Animals Act</i>	11	\$3,905
<i>Environment Planning and Assessment Act</i>	Nil	\$0
<i>Protection of the Environment Operations Act</i>	8	\$10,200
<i>Local Government Act</i>	Nil	\$0
<i>Food Act</i>	Nil	\$0
<i>Impounding Act</i>	Nil	\$0

### Appeals

Action	Result	Cost \$
10.2016.185.1 (Saffioti)	Appeal - Ongoing	\$123,102.51
10.2016.231.1 (PSEC Project)	Appeal - Upheld	\$29,500.25
10.2016.243.1 (MKD Architects)	Appeal - Dismissed	\$147,860.37
10.2016.286.1 (DBT Architects)	Appeal - Ongoing	\$9,206.93
10.2017.116.1 (Parker Logan Property)	Appeal - Discontinued following conciliation conference	\$11,188.41
10.2017.241.1 (Vickery & Fay)	Appeal - Discontinued following conciliation conference	\$4,705.50
10.2017.1.1 (Albert)	Appeal - Upheld	\$34,466.52
KMC v Johnson & Gilmore	Class 4 - Unlawful building works - ongoing	\$2,163.00

## Work on private land

No work was carried out on private land during the 2017-18 financial year.

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## External bodies, companies and partnerships

Council engaged a consultant to undertake swimming pool compliance inspections under the *Swimming Pools Act 1992* and *Swimming Pool Regulation 2018*.

Council did not hold any controlling interests in any corporations, partnerships, trusts, joint ventures, syndicates or other bodies during the 2017-18 financial year

Council participated in partnerships/joint ventures with the following corporations, partnerships, trusts, joint ventures, syndicates or other bodies:

Name of partnership/joint venture	Type	Partner(s)
South Coast Library Service	Library co-operation, sharing books and other resources	Shoalhaven City Council
Rural Fire Service	Co-ordinated rural fire management response for Illawarra councils	Shellharbour and Wollongong Councils
Illawarra Shoalhaven Joint Organisation (ISJO)	Association to combine council resources and staff skills for regional strategy, political advocacy, joint initiatives and to maximise efficiencies	Shellharbour, Shoalhaven and Wollongong Councils
Illawarra District Noxious Weeds Authority	Regional approach to tackle invasive and noxious weeds	Shellharbour and Wollongong Councils
Dementia Friendly Project	Resource, knowledge and skill sharing to make Kiama a dementia friendly town	University of Wollongong and Alzheimers Australia
Surfing NSW	Partnership agreement for the Kiama area to host surfing and bodyboarding events	Surfing NSW
Regional Arts	Promote and assist arts within the region	Shellharbour Council
South Coast Tourism Promotion	NSW South Coast Unspoilt Destination Marketing Campaign	Shellharbour, Shoalhaven and Sapphire Coast Councils and Eurobodalla Tourism partnering with Destination NSW
Community Building Partnerships	CCTV network and Saddleback lookout	NSW and Commonwealth Governments

## Controlling interest companies

Council held no controlling interest in any company in 2017-18.

## National Competition Policy

Council has adopted the principle of *competitive neutrality* to 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 on the Application of National Competition Policy to Local Government. The Pricing and Costing for Council Business – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

These guidelines outline the process for identifying and allocating costs to activities and provide a standard of 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 *The Pricing and Costing for Council Business – 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

1. Kiama Coast Holiday Parks
2. Waste Services Collection Unit

## Statement of ordinary expenses

Statement of ordinary expenses incurred, ordinary revenue raised and assets held by Category 1 Business units – Year ended 30 June 2018.

	Revenues		Expenses		Operating Results		Total assets held (current and non-current)
	Budget (\$000)	Actual 2018 (\$000)	Budget (\$000)	Actual 2018 (\$000)	Budget (\$000)	Actual 2018 (\$000)	Actual 2018 (\$000)
Waste Service Collection Unit	\$5,524	\$5,212	\$3,510	\$3,270	\$2,014	\$1,943	\$ 4,839
Kiama Coast Holiday Parks	\$8,969	\$9,206	\$5,477	\$5,130	\$3,492	\$4,076	\$21,892
<b>Totals</b>	<b>\$14,493</b>	<b>\$14,419</b>	<b>\$8,987</b>	<b>\$8,400</b>	<b>\$5,506</b>	<b>\$6,019</b>	<b>\$ 26,731</b>

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## Competitive neutrality complaints

Underpinning competitive neutrality is the need to properly recognise the full costs of Council's business activities. This allows comparisons to be made with competitors in the same marketplace and provides information that will allow us to determine pricing policies for each business. Kiama Municipal Council has a process distributing indirect costs and overhead attributed to the declared business activities which are shown in the Special Purpose Financial Reports.

## Private swimming pool inspections

Council engaged a consultant to undertake swimming pool compliance inspections under the *Swimming Pools Act 1992* and *Swimming Pool Regulation 2018* for the 2017-18 financial year.

- 5 inspections of tourist and visitor accommodation
- No inspections of premises with more than 2 dwellings
- 309 inspections that resulted in issuance of a Certificate of Compliance under Section 22D of the Act
- 141 inspections that resulted in issuance of a Certificate of Non-Compliance under clause 18BA of the Regulation.

## Environmental Planning and Assessment Act

No planning agreements were in force during the 2017-18 financial year.

## Disability Inclusion Action Plan

**Kiama's Disability Inclusion Action Plan (DIAP) was developed over an 18-month period, based on a combination of consultations and surveys with people with disability to inform the plan, including consulting with Council's Access Committee and utilising the results from previous consultations for the 2014 Age-friendly survey and the 2013 Community Strategic Plan.**

Based on these consultations, draft strategies were developed that were allocated to various responsible officers across Council to implement, with each responsible officer consulted to ensure they agreed with the actions they were to implement to ensure 'buy-in'. The plan was finalised and endorsed by Council in June 2017.

Since the development of the plan, a great deal has been done to improve disability access across the full range of services Council provides, and to encourage disability awareness, access and support across the whole community, including in local businesses and community organisations.

In 2017-18 disability access considerations were included in the development of the new Tourism Opportunity Plan. Information on the importance of accessible tourism has been distributed via our monthly e-news to the local Tourism industry and via the Destination Kiama Facebook page. A presentation on Accessible Tourism has been confirmed for July 24 2018 at the Winter Tourism After Hours Event.

Council's Disability Access Committee met five times during the year and addressed 32 issues within the community. The Disability Consultative Group met nine times during the year with a number of guest speakers providing support and advice, including a consultation with Ann Sudmalis MP, Member for Gilmore, who provided advice on the National Disability Insurance Scheme (NDIS).

An audit of accessible parking places was undertaken throughout the Local Government Area (LGA) with the aim of identifying opportunities for improvements. Two additional accessible parking bays were provided at Kiama Leisure Centre and Jamberoo Pool car parks. An audit of all signs at bus stops throughout the LGA was also undertaken to ensure all signs were accessible. The majority of signs were found to be compliant, with some minor repairs and adjustments being carried out to ensure all were accessible.

The Dementia-friendly Kiama Project held six Dementia Alliance meetings and three community education sessions during the year. The Project featured in the University of Wollongong's 'Research for Impact' publication. The Project hosted Mr Ken Wyatt MP, Federal Minister for

Aged Care and Indigenous Health, and facilitated a showcase on the Project. Dr Al Power, an international Dementia specialist, also contacted the Project and was provided with information on the Project. The Project also delivered an international webinar, delivered through the Dementia Alliance International, which was viewed in more than seven countries. A Project overview was also delivered at three national conferences during the year.

The Jamberoo pool refurbishment was completed during the year and is now fully accessible, with new ramps, amenities and pool lift installed. An adult lift and change facility at Kiama Harbour was commissioned in May 2018.

A grant application for \$150,000 towards the construction of an accessible cabin and a duplex cabin through Destination NSW was successful which will assist with the construction of an accessible cabin at Surf Beach Holiday Park in 2019. An upgrade of Cabin 7 at Kendall's Beach Holiday Park, resulted in the cabin being partially accessible. The Werri Beach Holiday Park Business Development Strategy and Master Plan was approved in principle which will include the construction of two accessible cabins and two accessible ensuite sites.

Toward the end of 2017-18, Council contracted me2accessibility to conduct an accessibility audit of Council's website. It received a satisfying 74% compliance rating. Work will continue in 2018-19 to ensure that Council continues to develop a fully accessible website.

## Implementation of Council's Equal Employment Opportunity (EEO) Management Plan

**We are committed to developing an equitable and diverse workforce that represents the community of the Kiama Local Government Area and the Illawarra region.**

This commitment is centred on Council meeting the obligations of legislative requirements, and ensuring that our work environment is characterised by effective and productive working relationships. Council's Equal Employment Opportunity Management Plan 2015-18 focuses on the following key areas:

- an accountable workforce
- a workplace that is free from unlawful discrimination, harassment and bullying
- recruitment and retention strategies that are supportive of the needs of EEO groups and contribute to maintaining a diverse workforce
- maintaining a relevant and achievable plan through communication, review and evaluation.

In 2017-2018, Council undertook a significant project to uncover the values of the organisation. The process involved extensive consultation with employees about the existing and desired workplace culture in order to establish the foundation of Council's workplace culture into the future. The values of Respect, Integrity, Innovation, Teamwork and Excellence were uncovered and have formed the foundation of expectations in relation to attitudes and behaviours expected of employees.

A key focus of the EEO Management Plan is to minimise barriers for equity and diversity target groups including Aboriginal and Torres Strait Islander people, people with disabilities, women, people from non-English speaking backgrounds, mature age workers, youth, and people who identify as lesbian, gay, bisexual, trans or intersex. As an integral component of Council's Corporate Induction Program, Council has a fairness and equity awareness session to raise awareness and ensure new employees have an understanding of Council's expectations in terms of working with people and processes for addressing matters should they arise.

Council has also continued to support the internal Women's Leadership Group, which meets on a monthly basis to provide a support network for female leaders within our organisation. A key achievement in the equity and diversity realm during the reporting period is a significant shift in gender balance of Council's Senior Management (ManEx) and managerial team, with the recruitment of a female Director Environmental Services bringing the gender composition at the Director

level to 50% female. This is paired with an increase to almost 50% of the managerial roles at Council currently being occupied by women.

During the past 12 months, Council has hosted a range of awareness and engagement initiatives aimed at providing a platform for employee education and engagement with a focus on working together harmoniously, supporting workmates and accepting diversity within the workplace. Notable initiatives include:

- hosting monthly *Lunch and Learn*, which have featured sessions related to diversity awareness, including International Women's Day, Dementia Friendly initiatives, Youth initiatives and awareness of local Aboriginal sites of cultural significance
- supporting employees to attend Sorry Day ceremonies hosted by Council
- hosting R U Ok? Day Awareness campaign
- celebrating Men's Health Week, featuring guest speaker Mick Bainbridge.

We have continued to systematically review protocols and procedures in line with the review schedule and/or legislative change. Our Consultative Committee is consulted to ensure each protocol or practice is fair and equitable, before presenting protocols to Council's Senior Management team for endorsement and implementation. Council takes very seriously allegations of discrimination, harassment, bullying and other grievances that indicate an employee is unhappy or uncomfortable with their working environment. Complaints or issues are thoroughly investigated in an appropriate and timely manner in accordance with our protocol framework.

We also continue to support a pool of trained Contact People who are non-management representatives and have completed formal training in equity and diversity. This pool of employees is available to support and assist employees by providing relevant advice on matters related to equity and diversity if required.

We have also continued our long-standing commitment to provide employees with access to the independent and external service of an Employee Assistance Program, with the confidential report provided to Council's Senior Management team and manager group on an annual basis for review, and information. This has also been supported by the roll out of online Question, Persuade, Refer Mental Health training which was made available to every employee.



# Companion Animals Act

## Office of Local Government Annual Report pound data

Council submitted the following information to the Office of Local Government for 2017-18:

- 167 dogs collected and returned directly to owner rather than being impounded
- 40 companion animals impounded or surrendered
- 35 dogs and 5 cats impounded, (Nil animals surrendered)
- 36 (90%) returned and/or released to owner (34 dogs and 2 cats)
- No animals impounded escaped
- 4 (10%) of companion animals rehomed (1 dog and 3 cats)
- No companion animals (cats or dogs) were destroyed
- 319 companion animal complaints investigated (This is 114, or 26% less complaints received than in 2016-17)
- 85 notices to comply issued
- 13 infringements issued (\$3,905 value).

### Data and reporting related to dog attacks

- 23 aggressive dogs/dog attacks were investigated
- 11 required to be reported to Office of Local Government
- No court control orders issued
- No Nuisance Dog Notices issued
- No Dangerous Dog Notices issued.

### Funding spent on Companion Animals management and activities

Council's expenditure for Companion Animals management totaled \$218,214. Funds were spent on companion animal administration, enforcement, management of Council's pound and other companion animal management issues performed by our Ranger Services staff.

Our Rangers investigated all 319 companion animal complaints within 24-hours of their receipt, and processed 276 new lifetime registrations (57 cats, 219 dogs).

### Cat and dog de-sexing

Council requires all dogs and cats leaving its pound to be de-sexed. In 2017-18 we supported state-run programs that encourage the de-sexing of cats and dogs including discounted de-sexing fees.

### Strategies to rehome unclaimed animals

Council encourages local residents to adopt

animals that are suitable for rehoming.

Four (100%) of the impounded unclaimed animals (one dog and three cats) were rehomed in 2017- 2018. This is a pleasing result as no animals were destroyed.

### Dog Off-leash areas

Council offers its residents and visitors nine coastal locations for the off-leash exercise and recreation of dogs (under effective control by their owners) and one river on leash swimming area.

Our dog off-leash areas are located in:

- Gerroa
- Gerringong
- Kiama
- Bombo
- Minnamurra
- Werri Beach.

Six are headland areas, three are beach areas and one is an on-leash swimming area in the Minnamurra River.

### Companion Animal Community Education

Council undertook community education programs at selected off leash areas and an information stand at the Kiama Markets to provide advice on registration and legislative requirements when taking dogs into a public place and using dog off leash areas.

### Financial information on Companion Animals funds

In 2017-2018 \$218,214 was spent on implementing the companion animal management function.

Council received \$28,615 in income from the following fees and infringements in 2017-18:

- impounding fees \$214
- Office of State Revenue infringement payment \$6,483
- registration income from Division of Local Government \$21,918

Council provided a total of \$189,599 from its general revenue to balance the shortfall in its income and expenditure for Companion Animals Management.

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## Government Information (Public Access) Act 2009 and Regulation

The *Government Information (Public Access) Act (GIPA Act)* requires Council to be proactive with the release of information it holds. It creates an environment where members of the public can freely access most of this information.

The Act requires councils to make information readily available to members of the public, unless there is an overriding public interest against disclosure.

To ensure compliance with the GIPA Act, Council reviewed the procedures and methods it uses to manage information and privacy and personal information.

### GIPA Annual Report 2017-18

Our GIPA Annual Report outlines our obligations for the financial year. It is a requirement of the GIPA Act and must be submitted to the Minister for Local Government and the NSW Information Commissioner within four months of the end of

each financial year. The following information is required to be included:

- **Review of Proactive Release Program** Under section 7 of the GIPA Act, Council must review, at least once every 12 months, its programs for the release of government information to identify the kinds of information that can be made publicly available. Kiama Council reviewed its Information Guide (our program for the proactive release of information) in November 2017.
- **Access Applications Received** Council received five formal access applications (including withdrawn, but not invalid applications).
- **Refused Applications for Schedule 1 Information** Council did not refuse any formal access applications for information under Schedule 1 of the Act.

### Number of applications by type of applicant and outcome\*

	Access Granted in Full	Access Granted in Part	Access Refused in Full	Information not Held	Information Already Available	Refuse to Deal with Application	Refuse to Confirm/Deny whether information is held	Application Withdrawn	Total	% of Total
Media	0	0	0	0	0	0	0	0	0	0%
Members of Parliament	0	0	0	0	0	0	0	0	0	0%
Private sector business	1	0	0	0	0	0	0	0	1	20%
Not for profit organisations or community groups	0	0	0	0	0	0	0	0	0	0%
Members of the public (by legal representative)	1	0	0	0	0	0	0	0	1	20%
Members of the public (other)	2	1	0	0	0	0	0	0	3	60%
<b>Total</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	
<b>% of Total</b>	<b>80%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>		

\*More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision.

**Number of applications by type of application and outcome\***

	Access Granted in Full	Access Granted in Part	Access Refused in Full	Information not Held	Information Already Available	Refuse to Deal with Application	Refuse to Confirm/ Deny whether information is held	Application Withdrawn	Total	% of Total
Personal information applications <sup>†</sup>	0	0	0	0	0	0	0	0	0	0%
Access applications (other than personal information applications)	4	1	0	0	0	0	0	0	5	100%
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0	0	0%
<b>Total</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	
<b>% of Total</b>	<b>80%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>		

\*A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual). More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision.

Invalid applications		
Reason for invalidity	No of applications	% of Total
Application does not comply with formal requirements (section 41 of the Act)	2	100%
Application is for excluded information of the agency (section 43 of the Act)	0	0%
Application contravenes restraint order (section 110 of the Act)	0	0%
Total number of invalid applications received	2	100%
Invalid applications that subsequently became valid applications	2	100%

Item 3.2

Attachment 1

Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of Act		
Reason	Number of times consideration used*	% of Total
Overriding secrecy laws	0	0%
Cabinet information	0	0%
Executive Council information	0	0%
Contempt	0	0%
Legal professional privilege	0	0%
Excluded information	0	0%
Documents affecting law enforcement and public safety	0	0%
Transport safety	0	0%
Adoption	0	0%
Care and protection of children	0	0%
Ministerial code of conduct	0	0%
Aboriginal and environmental heritage	0	0%

\*More than one public interest consideration may apply in relation to a particular access application and if so, each such consideration is to be recorded (but only once per application). This also applies in relation to the table below.

Other public interest considerations against disclosure: matters listed in table to section 14 of Act		
Reason	Number of times consideration used*	% of Total
Responsible and effective government	1	50%
Law enforcement and security	0	0%
Individual rights, judicial processes and natural justice	1	50%
Business interests of agencies and other persons	0	0%
Environment, culture, economy and general matters	0	0%
Secrecy provisions	0	0%
Exempt documents under interstate Freedom of Information legislation	0	0%

Timeliness		
Description	Number of applications	% of Total
Decided within the statutory timeframe (20 days plus any extensions)	5	100%
Decided after 35 days (by agreement with applicant)	0	0%
Not decided within time (deemed refusal)	0	0%

Number of applications reviewed under Part 5 of the Act (by type of review and outcome)				
Type of review	Decision varied	Decision upheld	Total	% of Total
Internal review	0	0	0	0%
Review by Information Commissioner*	0	0	0	0%
Internal review following recommendation under section 93 of Act	0	0	0	0%
Review by NCAT	0	0	0	0%
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	

\*The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Applications for review under Part 5 of the Act (by type of applicant)		
Description	Number of applications for review	% of Total
Applications by access applicants	0	0%
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0	0%

Applications transferred to other agencies		
Type of transfer	Number of applications transferred	% of Total
Agency-Initiated Transfers	0	0%
Applicant - Initiated Transfers	0	0%

## Public Interest Disclosure (PID) Act

### Annual Report under Section 31 of the Public Interest Disclosure Act

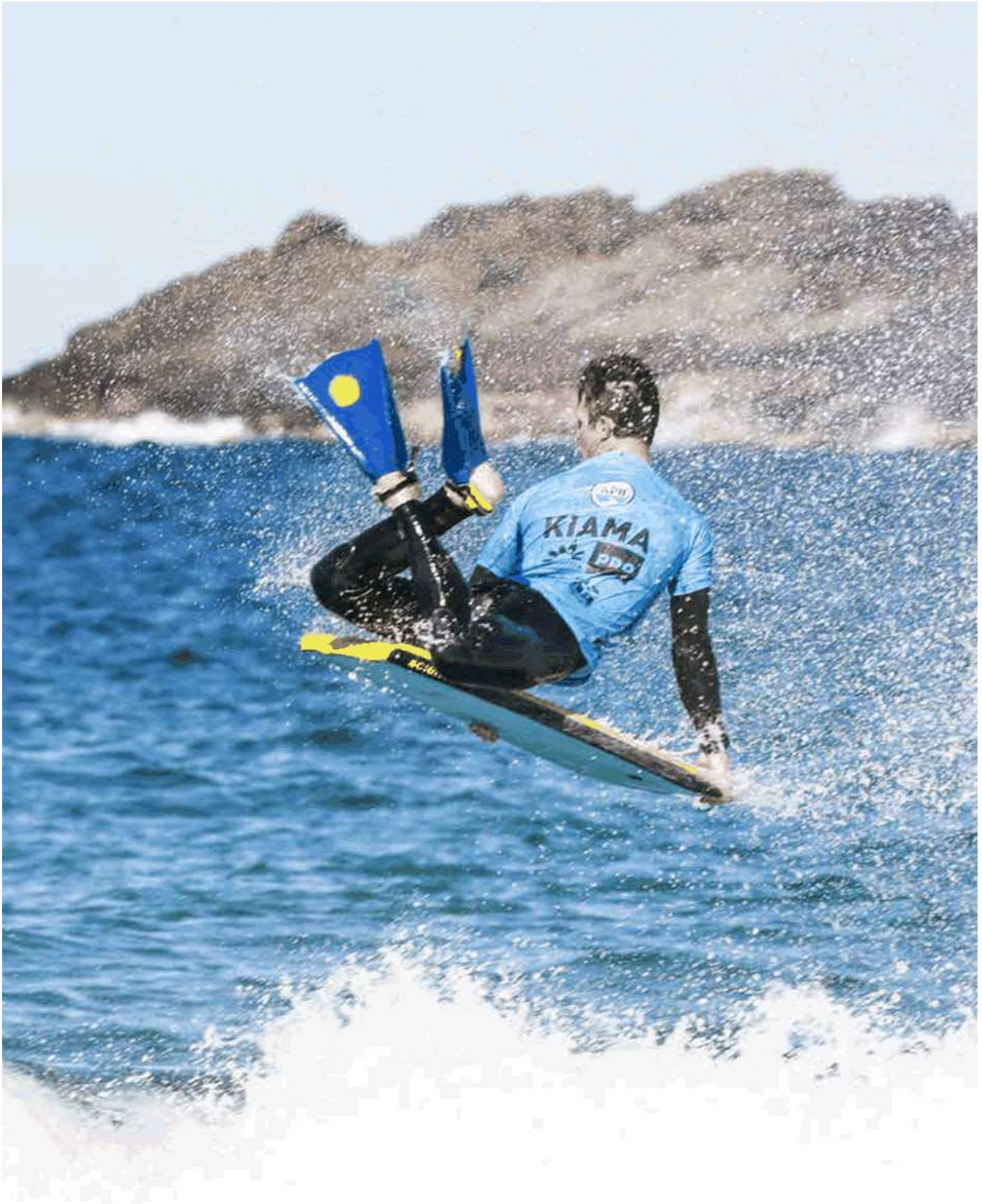
As a public authority, Kiama Council is required to report annually to the NSW Parliament on its obligations under Section 31 of the *Public Interest Disclosure (PID) Act 1994*. Council is also required to report to the NSW Ombudsman every six months. In doing so, Council provides statistical information on how we comply with our obligations under the *PID Act*.

A key reason for these separate reporting requirements is to ensure Council fully

discloses any activity relating to PIDs; to enable transparency of the PID process and to demonstrate that Council is actively complying with legislative requirements.

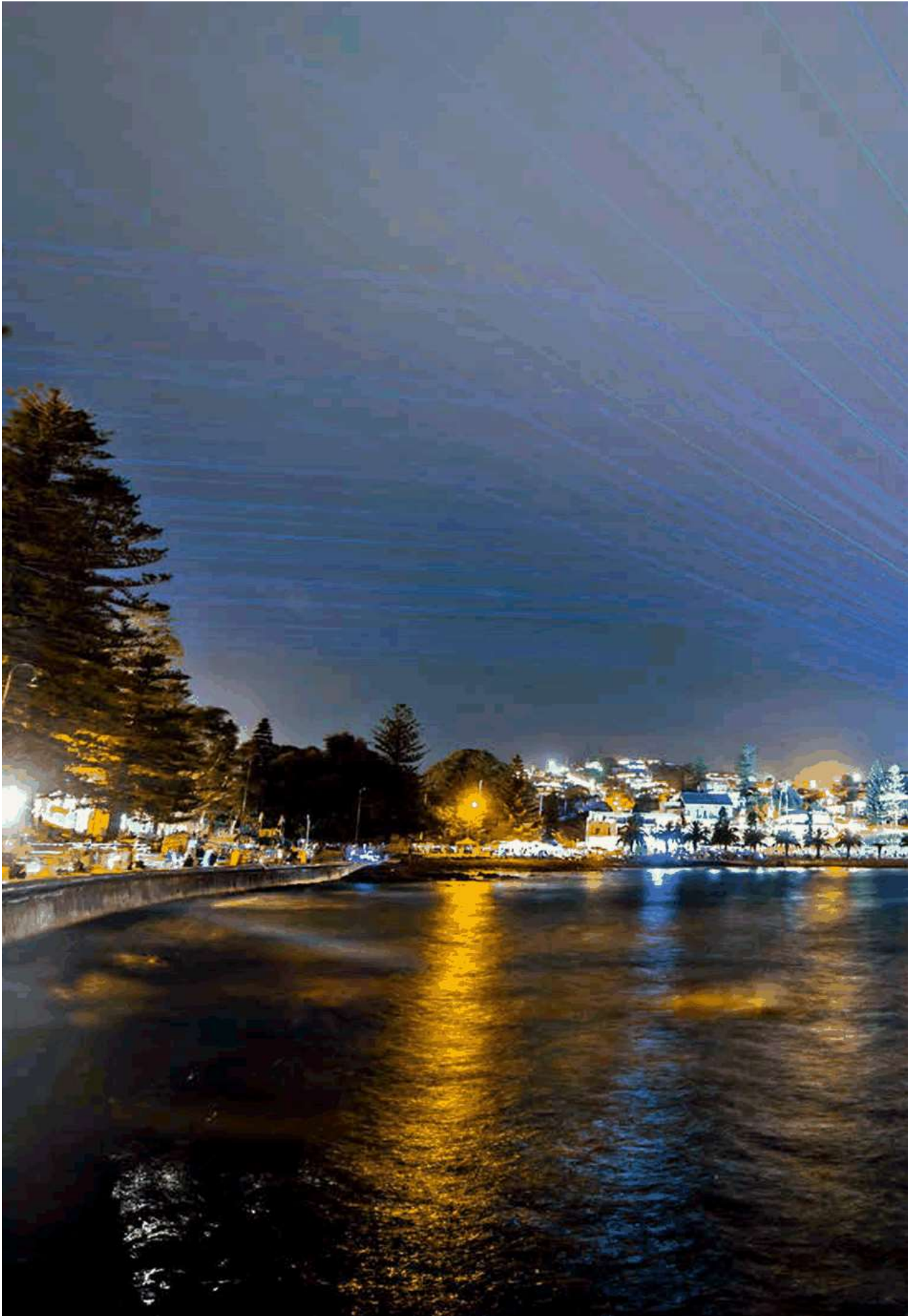
No Public Interest Disclosures were made or received in 2017-18. During 2017-18 Council issued all staff emails advising staff of the *PID Act* and when and how to make one. PIDs (who should make a PID, when and how) were also discussed at Council's induction sessions for all new employees.

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Item 3.2

Attachment 1



Item 3.2

Attachment 1

### 3.3 2019 Ordinary Council Meeting Schedule

CSP Objective: 4.0 Responsible civic leadership that is transparent, innovative and accessible

CSP Strategy: 4.3 Council and the community working together

Delivery Program: 4.3.1 Foster positive community relationships through open communication, opportunities for participation and sharing information

#### Summary

This reports seeks Council's endorsement to conduct an additional Council meeting in January 2019 and the rescheduling of the June and October 2019 Ordinary Council meetings.

#### Finance

Not applicable.

#### Policy

Local Government Act 1993 Section 365 and Council's Code of Meeting Practice

#### Communication/Community Engagement

The dates of Council meetings are advertised on Council's website and in the local newspaper.

#### Attachments

Nil

#### Enclosures

Nil

### **RECOMMENDATION**

That Council hold an Ordinary meeting on 22 January 2019 to allow for the consideration of Council business. Further, that the meetings for June and October 2019 be moved to 24 June 2019 and 21 October 2019 respectively to allow for Councillor attendance at the National General Assembly and the LGNSW Annual Conference

### **BACKGROUND**

Council has traditionally not scheduled a full Council meeting during January each year however, over the last few years due to the increased need for decision making and the conduct of urgent business, extraordinary meetings have been held in January or the February meeting has been brought forward to an earlier date in the month.

This has generally meant that there is an approx. 6 week break from the December meeting to the February meeting and then a similar break until the March meeting.



## Report of the General Manager

## 3.3 2019 Ordinary Council Meeting Schedule (cont)

Research into reporting patterns has shown that over the last few years Council has held several extraordinary meetings in January, February and March to deal with matters that due to the length of time between December, February and March meetings cannot be held over until the next meeting of Council. It could be assumed that it a strong likelihood that this will be the case again in 2019.

Date	Meeting	Type	No. of Reports
20 December 2016	Ordinary	Monthly scheduled	66
24 January 2017	Extraordinary	Unscheduled	10
14 February 2017	Ordinary	Brought forward	51
1 March 2017	Extraordinary	Unscheduled	1
21 March 2017	Ordinary	Monthly scheduled	63
19 December 2017	Ordinary	Monthly scheduled	49
6 February 2018	Ordinary	Brought forward	52
1 March 2018	Extraordinary	Unscheduled	11
15 March 2018	Extraordinary	Unscheduled	1
20 March 2018	Ordinary	Monthly scheduled	62

To allow staff to plan and manage their workloads effectively in January/February it is recommended that a meeting be held on 22 January 2019.

It is also noted that the meeting scheduled for 18 June 2019 will clash with General Manager and Councillor attendance at the Australian Local Government Association's National General Assembly to be held from 16-19 June 2019 in Canberra. Further, the Local Government NSW Conference which is being held at Warrick Farm from 14-16 October 2019 also coincides with Council's scheduled meeting of 15 October 2019. Both of the aforementioned conferences are important participatory events for Councils in the Local Government calendar.

Bearing the above in mind, it is also recommended that Council consider rescheduling these meeting dates to 24 June 2019 and 21 October 2019 respectively. This will allow for maximum attendance by Councillors at scheduled Council meetings and the two events.

**4 CLOSURE**