



# **AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING**

**05 March 2019**

## Meeting Notice

**The Audit Risk and Improvement Committee Meeting  
of Central Coast Council  
will be held in the Committee Room,  
49 Mann Street, Gosford on  
Tuesday 5 March 2019,**

for the transaction of the business listed below:

### **1 GENERAL REPORTS**

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1.9	Draft Water Supply Authority Financial Statements for the reporting period 1 July 2017 to 30 June 2018 .....	45

### **2 CONFIDENTIAL ITEMS**

- 2.1 Reports from Audit Office of NSW  
The reason for dealing with the report confidentially is that it contains matters affecting the security of the Council, Councillors, Council staff or Council property.

Gary Murphy  
**Chief Executive Officer**

**Item No:** 1.1  
**Title:** Disclosures of Interest  
**Department:** Governance

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5 March 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13441997

Author: Zoie Magann, Advisory Group Support Officer

Manager: James Taylor, Acting Unit Manager, Governance and Business Services

Executive: Shane Sullivan, Acting Director Governance

Chapter 14 of the *Local Government Act 1993* ("LG Act") regulates the way in which the Councillors and relevant staff of Council conduct themselves to ensure that there is no conflict between their private interests and their public functions.

Section 451 of the LG Act states:

- "(1) A councillor or a member of a council committee who has a pecuniary interest in any matter with which the council is concerned and who is present at a meeting of the council or committee at which the matter is being considered must disclose the nature of the interest to the meeting as soon as practicable.*
- (2) The councillor or member must not be present at, or in sight of, the meeting of the council or committee:*
- (a) at any time during which the matter is being considered or discussed by the council or committee, or*
- (b) at any time during which the council or committee is voting on any question in relation to the matter.*
- (3) For the removal of doubt, a councillor or a member of a council committee is not prevented by this section from being present at and taking part in a meeting at which a matter is being considered, or from voting on the matter, merely because the Councillor or member has an interest in the matter of a kind referred to in section 448.*
- (4) Subsections (1) and (2) do not apply to a councillor who has a pecuniary interest in a matter that is being considered at a meeting, if:*
- (a) the matter is a proposal relating to:*
- (i) the making of a principal environmental planning instrument applying to the whole or a significant part of the council's area, or*
- (ii) the amendment, alteration or repeal of an environmental planning instrument where the amendment, alteration or repeal applies to the whole or a significant part of the council's area, and*

## 1.1 Disclosures of Interest (contd)

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- (a1) *the pecuniary interest arises only because of an interest of the councillor in the councillor's principal place of residence or an interest of another person (whose interests are relevant under section 443) in that person's principal place of residence, and*
  - (b) *the councillor made a special disclosure under this section in relation to the interest before the commencement of the meeting.*
- (5) *The special disclosure of the pecuniary interest must, as soon as practicable after the disclosure is made, be laid on the table at a meeting of the council and must:*
- (a) *be in the form prescribed by the regulations, and*
  - (b) *contain the information required by the regulations."*

Further, the Code of Conduct adopted by Council applies to all Councillors and Staff. The Code relevantly provides that if a Councillor or Staff member has a non-pecuniary conflict of interest, the nature of the conflict must be disclosed as well as providing for a number of ways in which a non-pecuniary conflict of interests might be managed.

Council's Audit Risk and Improvement Committee Charter states that all supporting papers to the meeting agendas will be released to the public on Council's website, unless such release would be contrary to the public interest. It is considered that the nature or content of this report and attachments do not fall within any of the exceptions listed under Clause 6.4 of the Charter and release to the public be approved.

### **Recommendation**

- 1** *That the Committee now disclose any conflicts of interest in matters under consideration by the Committee at this meeting.*
- 2** *That the Committee make a recommendation that this report be made publicly available as the nature or content of the report do not fall within any listed exceptions pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*



**Item No:** 1.2  
**Title:** Confirmation of Minutes of Previous Meetings  
**Department:** Governance

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5 March 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13380983

Author: Kelly Drover, Advisory Group Support Officer

Manager: James Taylor, Acting Unit Manager, Governance and Business Services

Executive: Shane Sullivan, Acting Director Governance

## Summary

Confirmation of minutes of the previous Audit, Risk and Improvement Committee meetings held on *30 November 2018* and *4 December 2018*.

Council's *Audit Risk and Improvement Committee Charter* states that all supporting papers to the meeting agendas will be released to the public on Council's website, unless such release would be contrary to the public interest. It is considered that the nature or content of this report and attachments do not fall within any of the exceptions listed under Clause 6.4 of the Charter and release to the public be approved.

## Recommendation

- 1** *That the Committee confirm the minutes of the previous meeting held on 30 November 2018.*
- 2** *That the Committee confirm the minutes of the previous meeting held on 4 December 2018.*
- 3** *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

## Attachments

- |          |   |           |
|----------|---|-----------|
| <b>1</b> | MINUTES - Audit Risk and Improvement Committee Meeting - 30 November 2018 | D13440614 |
| <b>2</b> | MINUTES - Audit Risk and Improvement Committee Meeting - 4 December 2018  | D13440616 |



**Central Coast Council**

Minutes of the  
**EXTRAORDINARY AUDIT RISK  
AND IMPROVEMENT COMMITTEE**

Held in the Committee Room, 2 Hely Street, Wyong  
on 30 November 2018, commencing at 2.02PM

**Present**

Dr Colin Gellatly (Chairperson)  
John Gordon  
Carl Millington (by phone correspondence)  
Councillor Louise Greenaway (arrived 2.09pm)

**In Attendance**

Gary Murphy	Chief Executive Officer
Boris Bolgoff	Director Roads Transport Drainage and Waste
Shane Sullivan	Acting Director Governance
Vivienne Louie	Unit Manager Financial Performance
James Taylor	Acting Unit Manager Governance and Business Services
Michelle Best	Financial Controller
Mellissa McKee	Financial Controller
Zoie Magann	Advisory Group Support Officer
Caroline Mara	PricewaterhouseCoopers
Damian Ijor	Audit Office of NSW
James Sugumar	Audit Office of NSW

**Apologies**

Councillor Doug Vincent

Tina Baker	Chief Internal Auditor
Martin Elwell	Chief Technology Officer
Lilly Mojsin	Senior Internal Ombudsman

The Chairperson, Colin Gellatly, declared the meeting open at 2.02pm and read an acknowledgement of country statement.

MINUTES OF THE Extraordinary Audit Risk and Improvement Committee Meeting OF COUNCIL  
30 November 2018 contd

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**1.1 Disclosures of Interest**

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Resolution

- 1 That the Committee receive the report on Disclosures of Interest.**
- 2 That this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

**1.2 Draft Financial Statements for the reporting period 1 July 2017 to 30 June 2018**

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Resolution

- 1 That the Audit Risk and Improvement Committee recommends that Council adopt the 2017-18 Consolidated Financial Statements for Central Coast Council that includes General Purpose Financial Statements, Special Purpose Financial Statements and Special Schedules, subject to minor amendments.**
- 2 That the Committee note the Independent Members have questioned the accounting treatment of \$35 million charge to operating result relating to operational land and Crown Land adjustments. That the Committee have noted the explanation provided by management and the Independent External Auditors and are satisfied with the current treatment.**
- 3 That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exception, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

CONFIDENTIAL ITEMS

**2.1 Audit Office Engagement Closing Report**

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Resolution

- 1 That the Committee note the External Auditor's Engagement Closing Report for 2018.**
- 2 That the Committee make a recommendation that this report not be made publicly available pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter as it contains commercial information of a confidential nature.**
- 3 That the Committee note and appreciate the contributions made by Caroline Mara of PricewaterhouseCoopers.**

**MINUTES OF THE Extraordinary Audit Risk and Improvement Committee Meeting OF COUNCIL  
30 November 2018 contd**

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**GENERAL BUSINESS**

There was no General Business discussed by the Committee.

**The Meeting closed at 3.12pm**

**Next Meeting:** Ordinary Meeting  
Tuesday 4 December 2018  
2pm – 5pm  
Gosford Committee Room





Central Coast Council

Minutes of the  
**AUDIT RISK AND IMPROVEMENT  
COMMITTEE MEETING**

Held in the Committee Room, 49 Mann Street, Gosford  
on 4 December 2018, commencing at 2PM

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**Present**

Dr Colin Gellatly (Chairperson)  
John Gordon  
Carl Millington  
Councillor Louise Greenaway  
Councillor Doug Vincent (arrived 2.07pm)

**In Attendance**

Mayor Jane Smith	(Observer – by ARIC Invitation)
Gary Murphy	Chief Executive Officer
Peter Auhl	Chief Information Officer
Shane Sullivan	Acting Director Governance
Julie Vaughan	Director Connected Communities (arrived 2:10pm)
Tina Baker	Chief Internal Auditor
Lilly Mojsin	Senior Internal Ombudsman (left 2.23pm)
James Taylor	Acting Unit Manager Governance and Business Services
Jade Maskiewicz	Assistant Internal Ombudsman (left 2.23pm)
Kelly Drover	Advisory Group Support Officer
Ellen Suarez	Coordinator Customer Experience
Marco Monaco	Audit Office of NSW

**Apologies**

Caroline Mara	PriceWaterhouseCoopers
James Sugumar	Audit Office of NSW

MINUTES OF THE Audit Risk and Improvement Committee Meeting OF COUNCIL 04 December 2018 contd

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## GENERAL REPORTS

### 1.1 Disclosures of Interest

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#### Resolution

- 1 *That the Committee receive the report on Disclosures of Interest.*
- 2 *John Gordon made a non-pecuniary interest disclosure that he is a member of the Department of Education Audit, Risk and Improvement Committee.*
- 3 *That this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

### 1.2 Confirmation of Minutes of Previous Meeting

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#### Resolution

- 1 *That the Committee confirm the minutes of the previous meeting held on 2 October 2018.*
- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

### 1.3 Outstanding Action Items

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#### Resolution

- 1 *That the Committee notes the report on Outstanding Action Items.*
- 2 *That the Committee make a recommendation that this report be made publicly available as the nature or content of the report do not fall within any listed exceptions pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

### 1.4 Enterprise Risk Management Framework - Update

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#### Resolution

- 1 *That the supporting papers to this Report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*
- 2 *That John Gordon liaise directly with Shane Sullivan to advise of a few minor amendments to the Framework.*
- 3 *That the Committee note the report on the current status of the Enterprise Risk Management Framework project and the confirmation that Councillors will receive a presentation on the Framework after the completion of the project.*

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MINUTES OF THE Audit Risk and Improvement Committee Meeting OF COUNCIL 04 December 2018 contd

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**1.5 Update on GIPA Requests**

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**Resolution**

- 1 That the Committee receive the report on Update on GIPA Requests.**
- 2 That a report be brought back to the next meeting outlining the themes of GIPA requests.**
- 3 That the Committee make a recommendation that this report and the supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit Risk and Improvement Committee Charter.**

**1.6 Customer Experience Survey Results**

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Ellen Suarez, Coordinator Customer Experience provided an update to the Committee on the Customer Experience Survey Results.

**Resolution**

- 1 That the Committee receive the report on Customer Experience Survey Results.**
- 2 That the Committee make a recommendation that this report and the supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit Risk and Improvement Committee Charter.**

**1.7 Customer Complaints and Compliments**

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Julie Vaughan, Director Connected Communities provided an update to the Committee on Customer Complaints and Compliments.

**Resolution**

- 1 That the Committee receive the report on Customer Complaints and Compliments.**
- 2 That the Committee make a recommendation that this report and the supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit Risk and Improvement Committee Charter.**

**1.8 Annual Plan for 2019 - Proposed**

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**Resolution**

- 1 That the Committee consider the proposed Annual Plan for 2019 and endorse the proposal for implementation in 2019.**
- 2 That the Annual Plan for 2019 be reviewed and a more detailed report to be brought back to the next meeting.**
- 3 That the supporting papers to this Report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

MINUTES OF THE Audit Risk and Improvement Committee Meeting OF COUNCIL 04 December 2018 contd

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**1.9 IA Balanced Scorecard Report**

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Resolution

- 1 That the Audit, Risk and Improvement Committee receive the Chief Internal Auditor's Balanced Scorecard Report.**
- 2 That this report and the supporting papers to this Report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

**1.10 Chief Internal Auditor's Quarterly Progress Update**

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Resolution

- 1 That the Audit, Risk and Improvement Committee receive the Chief Internal Auditor's Report.**
- 2 That this report and the supporting papers to this Report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

**1.11 IA Comparative Data Analysis and Risk Outlook Report**

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Resolution

- 1 That this report and the supporting papers to this Report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**
- 2 That the Audit, Risk and Improvement Committee receive the Comparative Data and Risk Outlook Report.**
- 3 That the Committee consider the issues highlighted in the Comparative Data Analysis and Risk Outlook Report and determine what information/reports/presentations they would like on what topics at future meetings to assist them in further meeting their Charter obligations, with specific reference to section 1(f) implementation of the strategic plan, delivery program and strategies and 1(h) collection of performance measurement data by the Council.**

**1.12 IA Emerging Themes Report**

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Resolution

- 1 That the Audit, Risk and Improvement Committee receive the IA Emerging Themes Report.**
- 2 That the Committee consider the issues highlighted in the IA Emerging Themes Report and determine what information/reports/presentations they would like on what topics at future meetings (and the frequency) to assist them in further**

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MINUTES OF THE Audit Risk and Improvement Committee Meeting OF COUNCIL 04 December 2018 contd

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*meeting their Charter obligations, with specific reference to section 1(f) implementation of the strategic plan, delivery program and strategies and 1(h) collection of performance measurement data by the Council.*

- 3** *That the Committee make a recommendation that this report and the supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

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**1.13** **IA Work Programme 2018 to 2020**

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**Resolution**

- 1** *That the Internal Audit program for 2018/19 be finalised with the Chief Executive Officer working with the Internal Auditor and Chief Executive Officer to ensure Outstanding actions are up to date.*
- 2** *That once the Co-source external audit comes on board, the program for 2019/20 to be brought to the next meeting.*
- 3** *That this report and the supporting papers to this Report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

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**1.14** **Implementation of Management Actions Arising From IA Reviews**

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**Resolution**

- 1** *That the Audit, Risk and Improvement Committee receive the report on the implementation of management actions arising from IA reviews.*
- 2** *That the Chief Executive Officer undertakes to investigate the lack of progress on actions arising from IA reviews and report back to the next meeting.*
- 3** *Pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter, that the Audit, Risk and Improvement Committee consider assigning a 'confidential' privacy marking to Appendix 1 to this report for the reasons that it contains information that could compromise the "security of Council, Council Officials and Council property".*

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**1.15** **Dates for 2019 Audit, Risk and Improvement Committee (ARIC) meetings**

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**Resolution**

- 1** *That the Committee set the recommended dates Dates for 2019 Audit, Risk and Improvement Committee (ARIC) meetings, with the following changes:*
- *First meeting date changed to Tuesday 5 March 2019;*
  - *Extraordinary meeting to review draft financial statements to be held late October on a date to be determined.*

MINUTES OF THE Audit Risk and Improvement Committee Meeting OF COUNCIL 04 December 2018 contd

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- 2** *That the Committee make a recommendation that this report be made publicly available as the nature or content of the report do not fall within any listed exceptions pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

*At the request of the Chair, Item 2.1 was moved forward to the beginning of the meeting.*

**2.1 Confidential Report from the Office of the Internal Ombudsman**

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**Resolution**

- 1** *That the Committee note the report of the Senior Internal Ombudsman.*
- 2** *That the Senior Internal Ombudsman provides a report at the next meeting outlining general observations on best practice.*
- 3** *That the Committee make a recommendation that this report not be made publicly available pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter as it contains personnel matters concerning particular individuals.*
- 4** *That the Chief Executive Officer meet with Councillor Greenaway to further discuss issues raised in regards to this report.*

**GENERAL BUSINESS**

- GB6/18** **Marco Monaco, Audit Office of NSW provided the Committee with an update on the Independent Audit Reports.**

A Draft Management Letter will be issued to Management shortly for comments.

- GB7/18** **Minutes and Business Papers of Audit, Risk and Improvement Committee meeting**

The Committee discussed the request from Councillors that the Minutes and Business Papers of the Audit, Risk and Improvement Committee be made available to them.

**Resolution:**

***That the Committee continues the current status quo. The Agendas and Minutes of the Audit, Risk and Improvement Committee meetings are proactively released on the website and available to all Councillors.***

**MINUTES OF THE Audit Risk and Improvement Committee Meeting OF COUNCIL 04 December 2018 contd**

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**GB8/18 Internal Audit Co-source Model**

Shane Sullivan advised the Committee that it is anticipated that Tender documentation will go out in January for procurement of a Co-source Audit function to support our in house internal audit.

**The Meeting closed at 3.22pm**

**Next Meetings:** Ordinary Meeting  
Tuesday 5 March 2019  
2pm – 5pm  
Gosford Committee Room



**Item No:** 1.3  
**Title:** Outstanding Action Items  
**Department:** Governance

5 March 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13380989  
 Author: Kelly Drover, Advisory Group Support Officer  
 Manager: James Taylor, Acting Unit Manager, Governance and Business Services  
 Executive: Shane Sullivan, Acting Director Governance

**Report Purpose**

A review of the Outstanding Action Items from previous meetings.

**Recommendation**

- 1 That the Committee notes the report.**
- 2 That the Committee makes a recommendation that the supporting papers to this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

ARIC ACTION ITEMS			
ITEM	ACTION	RESPONSIBLE OFFICER	COMMENT
1.4 4 December 2018	That John Gordon liaise directly with Shane Sullivan to advise of a few minor amendments to the Framework	John Gordon	Action complete
1.5 4 December 2018	That a report be brought back to the next meeting outlining the themes of GIPA requests	Acting Director, Governance	Report included in this agenda (Item 1.4)
1.8 4 December 2018	That the Annual Plan for 2019 be reviewed and a more detailed report to be brought back to the next meeting	Acting Director, Governance	Report deferred to next meeting
1.13 4 December 2018	That once the Co-source external audit comes on board, the program for 2019/20 to be brought to the next meeting	Chief Internal Auditor	Anticipated for June 2019. Verbal update to be provided



ARIC ACTION ITEMS			
ITEM	ACTION	RESPONSIBLE OFFICER	COMMENT
1.14 4 December 2018	That the Chief Executive Officer undertakes to investigate the lack of progress on actions arising from IA reviews and report back to the next meeting	Chief Executive Officer	Report included in this agenda (Item 1.6)
2.1 4 December 2018	That the Senior Internal Ombudsman provides a report at the next meeting outlining general observations on best practice.	Senior Internal Ombudsman	Report deferred to next meeting



**Item No:** 1.4  
**Title:** Update on GIPA Requests  
**Department:** Governance

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5 March 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13465983

Author: Lisa Fox, Research and Response Officer Governance

Manager: James Taylor, Acting Unit Manager, Governance and Business Services

Executive: Shane Sullivan, Acting Director Governance

## Report Purpose

To provide the Committee with details relating to information requests made under the *Government Information (Public Access) Act 2009*, including themes of such requests.

## Recommendation

- 1 That the Audit, Risk and Improvement Committee receive the report on Update on GIPA Requests.**
- 2 That the supporting papers to this Report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

## Background

### ***Formal Information Access applications***

The GIPA team within Council responds to informal and formal information access requests under the GIPA Act, as well as identifies information appropriate for the Chief Executive Officer to approve for proactive release.

**Under the GIPA Act and the *Government Information (Public Access) Regulation 2018*, agencies are required to report annually to the Information Commissioner on their obligations.** These reports are used by the Information Privacy Commission (IPC) as the basis for the Information Commissioner's annual [\*Report on the Operation of the Government Information \(Public Access\) Act 2009\*](#), across all agencies and dis-aggregated to the sector level. The IPC has recently commenced making agency-level data accessible via an ["Agency Dashboard"](#). This public dashboard is interactive and enables agencies to better measure and assess performance.

Information drawn from the Agency Dashboard relating to Central Coast Council, for the 2016-2017 financial year is at **Attachment 1**. 2017-2018 data is not yet available in this format. The dashboard now provides Council with the ability to make comparisons with other similar sized Councils. As is shown, the number of formal applications responded to by individual Councils is varied, however, Central Coast Council is at the higher end.

In the 2017-2018 financial year the GIPA team responded to 107 formal information access requests. Council appears to be on track to respond to a similar number this financial year. Between July 2018 and December 2018 the GIPA team has responded to 64 formal access requests.

Formal requests for information tend to be more resource intensive than informal requests. They may be complex and / or require third party consultation. Also, due to the limitations of Council's current IT systems the GIPA team is often also required to liaise with other areas of Council to ensure all requested information is located. This may require asking staff to look in their hard drives and email for relevant information.

The GIPA Act requires that once a formal access information application is accepted, a decision and a formal statement of reasons must be provided to the applicant within 20 working days. A further 10 days can be utilised if third party consultation is required. The Act provides applicants with internal appeal rights and external appeal rights. Affected third parties also have appeal rights available to them.

The application fee for a formal information access request is \$30. A processing fee of \$30 per hour (with a 50% discount in certain circumstances) is a statutory fee that does not cover the actual cost to Council. Time spent on an application can vary considerably.

At **Attachment 2** is Council's Disclosure log for the period July – December 2018. This is publically available on Council's website. Council is required to maintain and make publically accessible a disclosure log under the GIPA Act. The disclosure log does not detail all formal applications responded to because applicants can request not to be included. However, it is a useful way to identify the key themes of requested information. Between July 2018 and December 2018 these were:

- three requests related to the Warnervale airport
- two requests related to separate dog attacks
- multiple requests relating to Development Applications and
- multiple requests relating to specific incidents and complaints.

### *Informal Information Access requests*

Various areas of Council respond to hundreds of informal requests for information from the community each year. During the 2017 – 2018 financial year Council's GIPA team responded to approximately 1,100 informal requests. The team appears on track to respond to a similar number in this current financial year. Between July 2018 and December 2018 the GIPA team has responded to 579 informal requests. The majority of informal requests relate to matters specific to the individual requesting the information, for example the building plans for their own property.

## **1.4 Update on GIPA Requests (contd)**

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### *2019 work program*

The GIPA team will be focusing on a range of access to information issues in 2019, in addition to responding to formal and informal applications. Within Council the focus will be on educating staff about their responsibilities under the GIPA Act. The goal will be to shift attitudes about the community's right to Council held information through highlighting the benefits of an informed and engaged community. The team will develop a range of resources and organise targeted information sessions for identified areas of Council. Information Awareness Month in May will also be a focal point.

The GIPA team's community facing work will centre on "Right to Know" week in September, whilst continuing to proactively release Council held information, as appropriate. A key focus will also be on improving the accessibility of proactively released information on Council's website. This work will be undertaken in coordination with Council's Digital team.

### **Attachments**

- |          |  |           |
|----------|--|-----------|
| <b>1</b> | 2016 2017 GIPA Statistics                          | D13465678 |
| <b>2</b> | Disclosure Log July 2018 Dec 2018 as at 7 Feb 2019 | D13465897 |

The logo for Central Coast Council, featuring the text "Central Coast Council" in a white, sans-serif font, centered within a white circle. The circle is set against a dark grey background.

Central  
Coast  
Council

# GIPA Presentation to Audit, Risk and Improvement Committee

5 March 2019

## 2016-2017 GIPA Statistics at a Glance

How many Formal Access applications were lodged?:

- > across all NSW agencies? 15,551
- > across all NSW Councils? 2,154

LGA	Area (km <sup>2</sup> )	Population	GIPA Applications
Canterbury-Bankstown Council	72	346,302 (1)	92
City of Blacktown	247	336,962 (2)	8
Central Coast Council	1,681	327,736 (3)	103
City of Sydney	25	208,374 (8)	111

\*Area and population data from 2016 Census. Ranked by population.



[centralcoast.nsw.gov.au](http://centralcoast.nsw.gov.au)

# Central Coast Council GIPA dashboard

## Agency GIPA Dashboard

2016-17 Agency GIPA data - Year at a glance



Sectors: (All) Agency: Central Coast Council

About

How to use the Dashboard

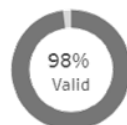
1. How many applications were lodged?

103

5. Did applicants get what they asked for?



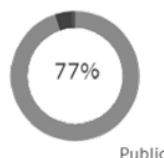
2. Were applications invalid?



6. How quickly were decisions made?



3. Who applied?



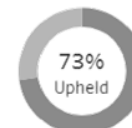
7. How were decisions reviewed?



4. What information was asked for?



8. What were the main review outcomes?



An interactive version of this dashboard is available at <https://www.ipc.nsw.gov.au/agency-level-gipa-dashboard>

centralcoast.nsw.gov.au

### 3. Who applied? Percentage of outcomes by type of applicant

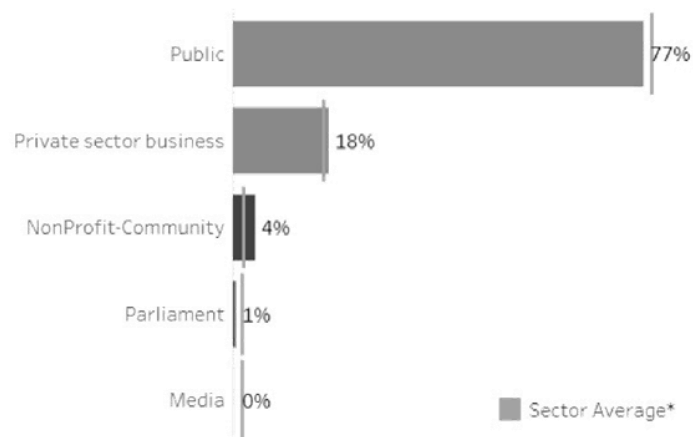


These charts show the distribution of outcomes (decisions) of valid applications received from different types of applicants. For more information see p.32 of the *Report on the Operations of the GIPA Act (2009) 2016-17* available at [www.ipc.nsw.gov.au](http://www.ipc.nsw.gov.au).

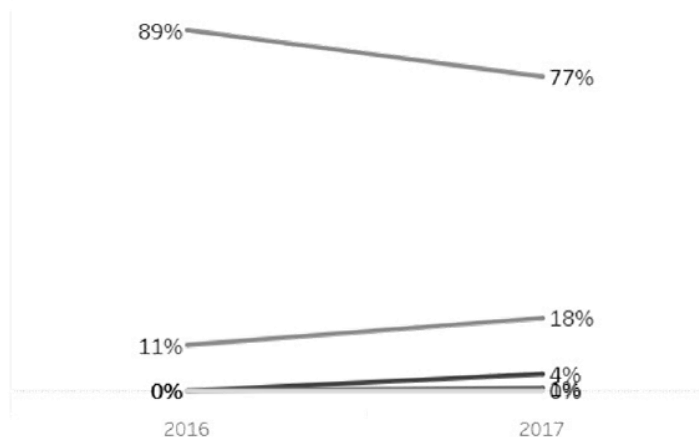
◀ Double click on back arrow to return to front page

Sector: Councils Agency: Central Coast Council

3a. Percentage of outcomes by type of applicant in FY 2016-17



3b. Percentage of outcomes by type of applicant across years



\* The sector average is calculated as the average of all agencies within the sector other than the agency of interest. Percentage values are calculated at the sector and not the agency level.  
Where no data point exists, no data was reported by the selected agency to the IPC for that year.  
Hover over each data point to display the number of decisions made .



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## 4. What information was asked for?

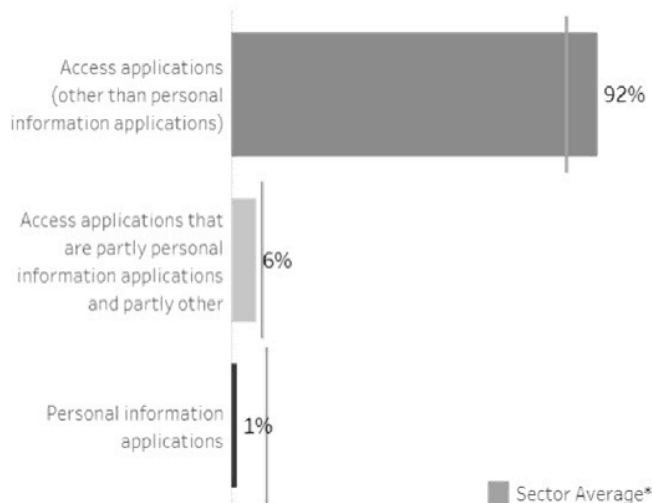
### Percentage of outcomes by type of information requested



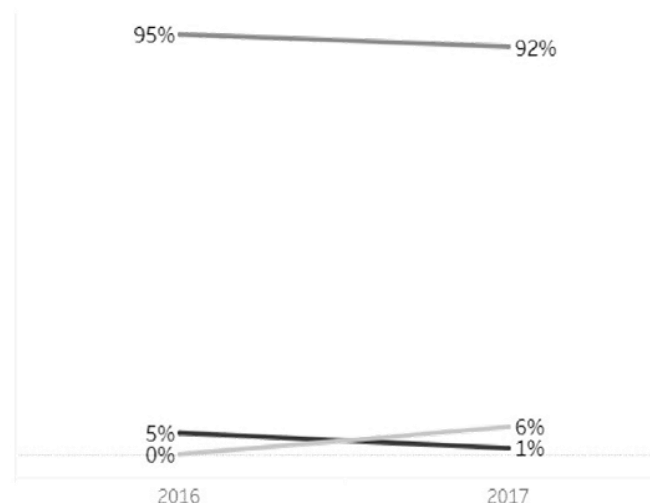
These charts show the distribution of outcomes (decisions) of valid applications received by type of information requested. For more information see p.36 of the *Report on the Operations of the GIPA Act (2009) 2016-17* available at [www.ipc.nsw.gov.au](http://www.ipc.nsw.gov.au).

◀ Double click on back arrow to return to front page
Sector: Councils
Agency: Central Coast Council

4a. Percentage of outcomes by type of information requested in FY 2016-17



4b. Percentage of outcomes by type of information requested across years



\*The sector average is calculated as the average of all agencies within the sector other than the agency of interest. Percentage values are calculated at the sector and not the agency level.

Where no data point exists, no data was reported by the selected agency to the IPC for that year.

Hover over each data point to display the number of invalid applications received.



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## Disclosure Log

July 2018-December 2018

This log records information that has already been released in response to a formal access application and may be of interest to other members of the public. This log is updated on a regular basis and in accordance with the <i>Government Information (Public Access) Act 2009</i> . The information listed below can be accessed by contacting Council's Legal and Research Officer on 02 4325 8222.		
Reference Number	Date application was decided	Description of Information provided
25885656/ Subject 107.373	12/07/2018	Information relating to the footpath at Scaysbrook Drive, Kincumber.
F2018/01018	18/07/2018	Financial statements relating to the non capital income of Warnervale Airport
F2018/00997	18/07/2018	DAs and plans related to "Kauri Lodge" Torrens Ave, The Entrance
F2018/01021	19/07/2018	Traffic control plans relating to Dog trap Roads on 19 and/or 20 December 2016
F2018/00634	3/08/2018	Spreadsheet of costings for the Arthouse.
IR26062091	30/08/2018	Historical DA information in relation to parking contributions.
IR26043919	6/09/2018	Information regarding a dog attack at Mooney Mooney.
F2018/01288	10/09/2018	Council reports, investigation material and correspondence relating to a dog attack.
107.385/26057761	10/09/2018	Documents relating to accidents or incidents that occurred at or inside the Laycock Street Community Theatre between the dates of 07 May 2012 to 07 May 2017.
107.384/26045296	10/09/2018	Redacted Reports, emails and correspondence relating to the installation of electricity kiosk at 45 & 49 Wards Hill Rd Killcare Heights
F2018/01366 and D13310746	14/09/2018	74 Glen Road Ourimbah: Copies of Council's response to the Rural Fire Service letter of 25 July 2017.
F2018/01265	17/09/2018	Documents dated between 1 January 2016 to 30 June 2018 relating to the monkey bars at Picnic Point Reserve
F2018/01260	18/09/2018	All correspondence located between Central Coast Council and Regional Aviation Association Australia.
107.386/ IR26058716	20/09/2018	Information regarding Winney Bay, application to Government and the Central Coast Council Business case.
F2018/01214	21/09/2018	Correspondence between Council and Altus Group Pty Ltd regarding Central Coast Airport
IR26044646	21/09/2018	Information/reports regarding the Leachate Holding Ponds at Mangrove Mountain.
F2018/01494	25/09/2018	Two letters relating to boundary realignment and clearing of native vegetation at 130-134 Sparkes Road, Warnevale: 1. Letter from Department of Industry dated 14 May 2018 2. Letter from Natural Resources Access Regulation dated 21 August 2018.
F2018/01472	28/09/2018	Email relating to asset management of a footpath in Tumby Umbi.
F2018/01331 and D13309967	2/10/2018	Copy of correspondence sent to the Rural Fire Service by Council relating to Bushfire approval in DA135/2017 - 74 Glen Rd Ourimbah
107.389 - 26126146	9/10/2018	DA documents regarding BA45908/1987.
F2018/01392	12/10/2018	Incident report relating to a dog attack dated 28 April 2018.
107.399/26265784	19/10/2018	Documents relating to DA16779 & DA21030



## Disclosure Log

July 2018-December 2018

Reference Number	Date application was decided	Description of Information provided
107.391/ IR26161238	23/10/2018	Summary of maintenance inspection provided for Fielders Lane, West Gosford.
107.392 / 26184119	25/10/2018	Information regarding specific light fixture (across the road from 2 Beauford Rd Terrigal) and the immediate area surrounding the light fixture situated at the Brendan Franklin Oval, Terrigal (date range: 01/01/2018 – 10/09/2018)
F2018/01215	26/10/2018	Correspondence between Central Coast Council and the Department of Premier and Cabinet regarding airports. Date range May 2016 to the 30 July 2018.
107.400	29/10/2018	Final inspection report on the original building from the 1980's: 8 Old Tumbi Rd Wamberal.
IR21618654	30/10/2018	DA documents and approvals for 211 Hillside Rd, Avoca Beach
F2018/01530	7/11/2018	DA documents including: plans, consents, reports, and certificates relating to The Royal Hotel (40-44 Pacific Highway, Wyong)
107.395 / 26211475	9/11/2018	Copies of internal Council records regarding the non-compliance assessments/investigations of three properties in Matcham: 80 Oak Rd, 2/136 Oak Rd, & 222 Oak Rd.



**Item No:** 1.5  
**Title:** Report on Councillor Expense Claims for the twelve month period from 16 September 2017 to 28 September 2018.  
**Department:** Governance

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5 March 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13448684  
Author: Meg Newington, Governance Officer  
Manager: James Taylor, Acting Unit Manager, Governance and Business Services  
Executive: Shane Sullivan, Acting Director Governance

## **Report Purpose**

To provide the Committee with details of Councillors' expense claims for the twelve month period from 16 September 2017 to 28 September 2018.

## **Recommendation**

- 1 That the Committee receive the Report on Councillor Expense Claims for the twelve month period from 16 September 2017 to 28 September 2018.***
- 2 That the Committee make a recommendation that this report be made publicly available pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.***

## **Background**

Central Coast Council (Council) adopted a *Councillors' Expenses and Facilities Policy (the Policy)* on 26 July 2017 in preparation for the reasonable and appropriate reimbursement of expenses and provision of facilities to Councillors once elected in the local government elections which were scheduled for September 2017, to help them undertake their civic duties.

The policy was drafted in accordance with the *Local Government Act 1993* and *Local Government (General) Regulation 2005*, and complies with the Office of Local Government's *Guidelines for the payment of expenses and provision of facilities to Mayors and Councillors in NSW*.

Following the elections in September 2017, there were a number of amendments adopted as set out below:

## 1.5

**Report on Councillor Expense Claims for the twelve month period from 16 September 2017 to 28 September 2018. (contd)**

Clause No	Previous Clause if applicable	Addition / Amendment	Date adopted by Council
Various	New	Amend various references of 'General Manager' to 'Chief Executive Officer'	23/10/2017
22	New	Council to meet cost to provide facilities deemed appropriate by the Chief Executive Officer to assist Councillors in the performance of their civic duties	9/7/2018
24	New	Limit of \$1,000 per Councillor for corporate uniform upon commencement of term of office	9/4/2018
25	New	Annual limit of \$500 per Councillor for replacement uniform	9/4/2018
27	\$3,000 Annual limit for travel expenses per Councillor	Increase limit to \$12,500	23/10/2017
43	Accommodation and meals for Councillors as per the NSW Crown Employees ( <i>Public Service Conditions of Employment</i> ) Reviewed Award 2009, adjusted annually	Annual limit of \$500 per Councillor per night for accommodation and meals	23/10/2017
48	\$4,000 Annual limit per Councillor for professional development	Increase limit to \$12,000	23/10/2017
57	For Local Government NSW Annual Conference only, Council will meet costs of dinner for an accompanying person	Annual limit of \$1,000 per Councillor for accompanying person to official conference dinners	9/7/2018
68	\$4,000 annual limit for carer expenses per Councillor	Increase limit to \$8,000 per Councillor	23/10/2017
81	New	Council to meet cost of ASIC or relevant searches undertaken by Councillors to assist in providing appropriate responses under	9/7/2018

## 1.5

**Report on Councillor Expense Claims for the twelve month period from 16 September 2017 to 28 September 2018. (contd)**

Clause No	Previous Clause if applicable	Addition / Amendment	Date adopted by Council
		Related Party Disclosure requirements for Council's Financial Statements	
92	New	In performing his or her civic duties, the Mayor will be assisted by a small number of staff providing appropriate support, as determined by the Chief Executive Officer.	27/8/2018
96	New	Annual limit of \$1,000 for Mayor's spouse or partner to attend functions	23/10/2017
97	New	Annual limit of \$2,000 for travel and accommodation for Mayor's spouse or partner	23/10/2017
98	New	Annual limit of \$2,000 for Mayor and Mayor's spouse or partner to attend dinners, fundraising & community events	23/10/2017
99	New	Digital subscriptions to two daily newspapers for Mayor	23/10/2017

To ensure accountability and transparency, and to align the costs incurred with community expectations, the Policy provides at clause 122:

*122 Detailed reports on the provision of expenses and facilities to Councillors will be publicly tabled at a Council meeting every six months and published in full on Council's website. These reports will include expenditure summarised by individual Councillor and as a total for all Councillors.*

The following table from the most recent version of the policy adopted on 27 August 2018 sets out the current financial provisions to each Councillor:

**1.5 Report on Councillor Expense Claims for the twelve month period from 16 September 2017 to 28 September 2018. (contd)**

Expense or facility	Maximum amount	Frequency
Corporate Uniform	\$1,000 per Councillor \$500 per Councillor	Upon election Per full twelve months there after
General travel expenses	\$12,500 per Councillor	Per year
Interstate, overseas and long distance intrastate travel expenses	\$15,000 per Councillor	Per year
Accommodation and meals	\$500 per Councillor	Per night
Provision for Partners	\$1000 per Councillor	Per year
Professional development	\$12,000 per Councillor	Per year
ICT expenses	\$4,000 per Councillor \$3,000 per Councillor (equipment)	Per year Upon election
Carer expenses	\$8,000 per Councillor	Per year
Home office expenses	\$300 per Councillor	Per year
Access to facilities in a Councillor room	Provided to all Councillors	Not relevant

Attached for the Committee's information are details of Councillors' expenses for the periods 16 September 2017 to 29 March 2018 and 3 April 2018 to 28 September 2018 (Attachment 1).

As required under clause 122 of the Policy, the expenditure for the period 16 September 2017 to 29 March 2018 was reported to Council on 23 April 2018 and the expenditure for the period 3 April 2018 to 28 September 2018 was reported to Council on 26 November 2018.

Expenditure for the period October 2018 to March 2019 will be reported to Council in April 2019, and to the following ARIC meeting in June 2019.

**Attachments**

- 1** Councillor Expenses and Facilities Spreadsheet- Sept 2017- Sept 2018      D13463362

Councillor	General Travel Expenses	Interstate, overseas and long distance travel expenses	Accommodation and meals	Professional development	ICT expenses	Carer expenses	Home office expenses
Best			\$164.65	\$1,165.75	\$3,303.81		\$74.41
Burke	\$1,056.45		\$34.00	\$150.00	\$3,303.81		\$27.56
Gale Collins	\$1,212.18			\$150.00	\$2,154.81	\$956.00	\$171.06
Greenaway	\$788.40			\$150.00	\$3,303.81		\$171.28
Hogan	\$544.00			\$150.00	\$3,303.81		\$171.82
Holstein	\$2,601.13			\$150.00	\$3,512.81		\$175.87
MacGregor				\$150.00	\$3,303.81		\$170.97
Marquart					\$3,303.81		\$220.71
Matthews	\$1,458.20		\$21.40	\$150.00	\$3,303.81		\$143.72
McLachlan				\$150.00	\$3,303.81		\$173.09
Mehrtens				\$150.00	\$3,533.81		\$232.72
Pilon				\$150.00	\$3,303.81		\$168.73
Smith (Mayor)	\$247.96			\$1,165.75	\$4,988.81		
Sundstrom				\$150.00	\$3,303.81		\$184.31
Vincent	\$112.32			\$150.00	\$3,119.56		\$47.11
<b>TOTAL For the period 16 September 2017 to 29 March 2018</b>	<b>\$ 8,020.64</b>	<b>\$</b>	<b>\$ 220.05</b>	<b>\$ 4,131.50</b>	<b>\$ 49,929.52</b>	<b>\$ 956.00</b>	<b>\$ 2,133.36</b>
Best	\$265.34	\$426.58		\$2,230.52			
Burke	\$1,002.32		\$171.70	\$969.00			
Gale Collins	\$885.30			\$80.00	\$1,144.97	\$3,278.24	\$334.87
Greenaway	\$1,207.68						
Hogan							
Holstein	\$2,437.12	\$845.00					\$334.87
MacGregor							
Marquart	\$173.94						
Matthews	\$275.34						
McLachlan							
Mehrtens							
Pilon				\$1,099.00			
Smith (Mayor)	\$40.00		\$10.65	\$1,379.00			
Sundstrom							
Vincent					\$191.00		
<b>TOTAL For the period 3 April 2018 to 28 September</b>	<b>\$3,287.04</b>	<b>\$1,271.58</b>	<b>\$182.35</b>	<b>\$5,757.52</b>	<b>\$1,335.97</b>	<b>\$3,278.24</b>	<b>\$669.74</b>
Total Year from 16 September 2017 to 28 September 2018	<b>\$11,307.68</b>	<b>\$1,271.58</b>	<b>\$402.40</b>	<b>\$9,889.02</b>	<b>\$51,265.49</b>	<b>\$4,234.24</b>	<b>\$2803.10</b>
Allocated Budget per annum	\$187,500 @ \$12,500/Clr	\$225,000 @ \$15,000/Clr	\$500 Clr per night	\$180,000 @ \$12,000/Clr	\$64,000 @ \$4,000/Clr (\$3,000/Clr upon election)	\$120,000 @ \$8,000/Clr	\$4,500 @ \$300/Clr





**Item No:** 1.6  
**Title:** Implementation of Management Actions Arising from IA Reviews  
**Department:** Governance

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5 March 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13465033

Author: Tina Baker, Chief Internal Auditor

### Summary

The report on *Implementation of Management Actions Arising from IA Reviews* forms part of the standard suite of reports presented by the Chief Internal Auditor to the quarterly ordinary meeting of the Audit, Risk and Improvement Committee. This report is provided to the Committee to help meet section 4.5 of their Charter obligation, which states: "The Committee is responsible for: *[inter alia]*

- Review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices;
- Monitoring the implementation of internal audit recommendations by management".

### Recommendation

- 1** *That the Audit, Risk and Improvement committee receive the report on the implementation of management actions arising from IA Reviews.*
- 2** *That the Audit, Risk and Improvement Committee determine the level, frequency and type of information/progress updates they would like to receive from management in respect of closed audit and/or those with long outstanding issues.*
- 3** *Pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter, that the Audit, Risk and Improvement Committee consider assigning a 'confidential' privacy marking to Appendix 1 to this report for the reasons that it contains information that could compromise the "security of Council, Council Officials and Council property".*

### Background

When IA reviews identify a control weakness, the risk exposure is reported and recommendations to mitigate the risk are captured in a written report along with responses and any corrective action agreed by management.

Management nominate a date by which their agreed action will be implemented in accordance with their own operational priorities. The recommendations and management responses are now being captured in the Audit Task Tracker system again. Implementation

## 1.6 Implementation of Management Actions Arising from IA Reviews (contd)

of the agreed or partially agreed actions are tracked by the Chief Internal Auditor in accordance with management's implementation date. The Chief Internal Auditor has been revising the format of the updated Tracker system in collaboration with IM&T to enable all the closed actions to be archived so managers only view open items. Once all the revisions and updated formatting have been completed, managers will once again be able to run their own reports, update/close an item from the Tracker in a timely and attach information to validate closure of the item, rather than relying on the quarterly distribution of the information in Word tables by the Chief Internal Auditor.

### Current Status

No further audits have been finalised since the last report to the Committee.

The status summary is as follows:

Status at Mar 2018	Status at June 2018	Status at Sept 2018	Status at Dec 2018	Status at Feb 2019
81 open actions from 19 different reviews	24 open actions from 10 different reviews	46 open actions from 12 different reviews	43 open actions from 12 different reviews	27 open actions from 6 different reviews

The detailed tables at Appendix 1 shows the findings and recommendations for each review, the last management response received along with originally agreed implementation dates and management updates to close out the 16 items since the last report.

### Points of Note

Management updates were sought from all relevant managers in January 2019 and for accountability purposes, Directors were also copied in and notified of the outstanding actions. The tables attached reflect the status updates where provided and where responses were not received.

CCTV: Since the last report was compiled, the Plant and Fleet unit has moved from Assets, Infrastructure and Business Department to the Governance Department. Consequently the actions relating to the CCTV review that were being taken forward by the Unit Manager of Plant and Fleet, remain with that manager but are now shown under Governance. Additionally, one of the items under the 2015 Cash Management review, that had been allocated to Finance, relates to the broader issue of CCTV and so this has been re-allocated to Governance to be picked up under the CCTV work being taken forward by the Plant and Fleet Manager.

PAYROLL: The actions relating to the Payroll review (Sept 2015) at the former Gosford Council and an IA Payroll Validation Review (Sept 2016) have been closed. The outstanding actions do not fully reflect the current risks, challenges or context of how the Payroll systems are operating at the amalgamated council. The People Services Manager responsible for Payroll proactively approached the Chief Internal Auditor for advice and to develop a programme of

management review and sampling to ensure controls are mitigating the key risk exposures in the current system.

It was agreed to close the outstanding (outdated) actions and for the People Services Manager to work in close collaboration with the Chief Internal Auditor and the Continuous Improvement Officer to implement a process of control self-assessment, with a view to mapping the current processes, testing the current controls and looking for system and process efficiencies to help mitigate risks until a single payroll system is rolled out for Central Coast Council. IA has provided an internal control questionnaire to help start this process and the Continuous Improvement Officer will be taking this forward with the Section Manager of People Services during the Chief Internal Auditor's absence.

ASSET MANAGEMENT: as with the Payroll reviews, the Unit Manager of Facilities and Asset Management expressed concern to the Chief Internal Auditor that the outstanding actions from the Asset Management review (Feb 2016) do not reflect the current risks, issues, challenges or context for how assets are being managed at Central Coast Council. Asset management at Central Coast Council has changed in many respects to the policies, systems and processes that governed the way assets were being managed at the former Wyong Shire Council.

Consequently, providing short narrative updates to the three remaining 'open' actions for the old IA review does not really give the Audit, Risk and Improvement Committee an insight into how critical Council assets are being managed, maintained or disposed of. It was agreed to close the outstanding actions and instead the Chief Internal Auditor suggested that the relevant Manager(s) provide a report to the Audit, Risk and Improvement Committee setting out Councils Asset Management strategy (as required under Integrated Planning requirements), detailing Council's asset classes and outlining the current risks and issues associated with each. The Asset Management Strategy identified 7 different asset classes or groups within Council and each of these are managed and co-ordinated in a different way:

1. Transport
2. Buildings
3. Stormwater drainage
4. Parks and recreation
5. Water supply
6. Sewerage network
7. Plant and fleet

It should be noted that assets such as fixtures and fittings or IT assets do not feature in the AM Strategy. A report or presentation to the Committee will enable ARIC to consider and discuss the current issues relating to Asset Management for the amalgamated entity (rather than those of a former Council) and determine what asset classes they would like to monitor going forward in accordance with the asset class risk profile and how they would like to receive updates in order to provide advice on these asset groups going forward.

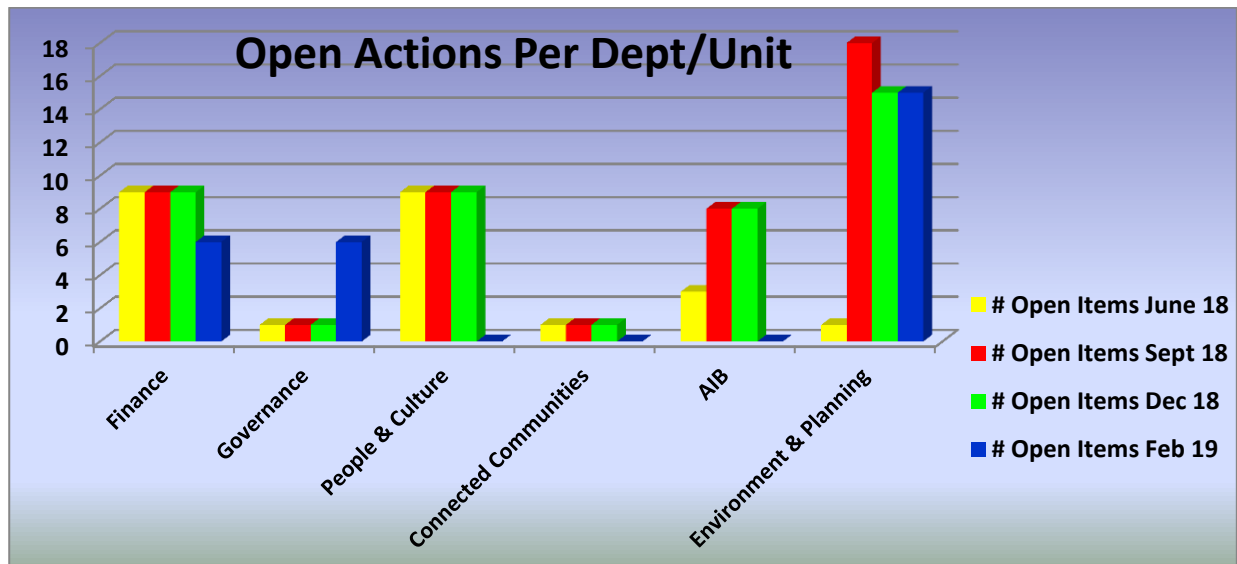
## 1.6 Implementation of Management Actions Arising from IA Reviews (contd)

### Headline Data

The 27 open actions are with the following departments/units:

- Environment and Planning – 15
- Finance – 6
- Governance – 6

The chart below shows the number of open actions per department and the changes since the last three reports.



Of the 27 open actions:

- 1 had no allocated action date
- 5 were not yet due at the time this report was compiled
- 14 are overdue by 1-6 months
- 7 are overdue by 25 months or more

### Summary Table

#	Audit Title (Former Council)	Date of Final Report	# Open Actions	Risk Rating of Open Actions
1	CCTV (WSC)	May 2014	1	1 x moderate
2	Engagement & Management of Temporary Contract Personnel (WSC)	July 2014	1	1 x moderate
3	Cash Management (GCC)	October 2015	5	5 x not assigned
4	S94 Contributions (WSC)	May 2016	1	1 x moderate
5	CCTV	August 2018	6	5 x high 1 x moderate
6	DRIVES24 (2017-18)	September 2018	13	6 x high 7 x moderate
	<b>TOTALS</b>		<b>27 open actions from 6 audits</b>	<b>11 x high 11 x moderate 5 x not assigned</b>

**Conclusions**

The commitment to improving controls and effectively managing risks through the timely implementation of agreed actions and process improvements are basic management responsibilities and a key component of sound, organisational governance. Whilst actions remain outstanding, the organisation remains exposed to the identified risks unless other mitigating controls are implemented. It is the responsibility of management to determine whether appropriate action has been undertaken in a timely way and to a sufficient degree to manage down the risk exposure to a more acceptable level to warrant the closure of the action.

Senior management are advised that they are accountable in the event that items have been closed off but the mitigating action has not actually been undertaken and the identified risk crystallises. It is also the responsibility of senior management to determine what action or intervention should be taken in the event of overdue actions and to ensure that action taken to close out an item is appropriate to address the risk and issue highlighted by the finding.

**Attachments**

- 1** Feb 2019 Appendix 1 Management Actions Arising From IA Reviews      D13464234  
- CONFIDENTIAL



**Item No:** 1.7  
**Title:** CIA Progress Update  
**Department:** Governance

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5 March 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13465052

Author: Tina Baker, Chief Internal Auditor

### **Report Purpose**

The *Chief Internal Auditor's (CIA) Quarterly Progress Report* forms part of the standard suite of reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee.

#### *Consideration of confidentiality:*

Section 6.4 of the Audit, Risk and Improvement Committee Charter states: "Supporting papers to the agenda considered by the Committee will be made publicly available on Council's website" with a number of specified exceptions to this. The Chief Internal Auditor considers that neither the nature nor content of this report or its attachment falls within any of the listed exceptions and so recommends that this report and its attachment be made publicly available in line with Section 6.4 of the Charter.

### **Summary**

A report on the activities of Internal Audit since the last update to the Audit, Risk and Improvement Committee on 19 June 2018.

### **Recommendation**

- 1 That the Audit, Risk and Improvement Committee receive the Chief Internal Auditor's Report.**
- 2 That the Committee make a recommendation that this report and the supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

## **1. IA FRAMEWORK – ASSURANCE SERVICES**

### **1.1 Progress Against Agreed Schedule of Audits**

It should be noted that the Chief Internal Auditor will be on long term sick leave from 20 February 2019 until late May/early June 2019 and there will be no cover for the role in her absence.

As reported to the last Committee meeting, two audit reports still remain in draft awaiting Executive responses to corporate wide, strategic issues before they can be finalised (management responses accepting the recommendations were received several months ago). These are:

- Cash Management in Waste Services (report 06/17-18) outstanding since August 2018 – unit manager responses to nine unit specific recommendations received; currently awaiting Executive responses to five corporate wide, strategic issues before report can be finalised.
- NHV Accreditation 2017/18 (report 02/18-19) outstanding since September 2018 – three recommendations made in relation to a corporate chain of responsibility matters that require an Executive response.

The Chief Internal Auditor attended an Executive meeting before Christmas to facilitate a discussion for agreed responses to all corporate issues so draft reports can be finalised in a more timely manner. Since then, a number of responses have been provided but in some cases they do not indicate clearly whether any action will be taken or who will take the action so the reports are still not able to be issued in final. The Acting Director, Governance has taken responsibility for helping to finalise the reports and has provided some clear responses on actions that relate to functions that report to the Governance Department. This will go some way towards finalising the outstanding reports, though the timing now means that these reports are unlikely to be issued before the return of the Chief Internal Auditor.

One report also remains outstanding in terms of complete management responses:

- Procurement of IT Goods (report 03/17-18) outstanding since October 2018 (review conducted and report initially drafted October 2017) – 4 corporate issues and 8 operational issues.

No responses have been received from the IM&T Department in order to finalise this report.

The IA Charter states: *“responsible officers shall have a maximum of ten working days to provide written management responses and action plans in response to issues and recommendations contained in internal audit reports.”* Consequently this requirement has not been met in the case of these three reports.

### **1.2 Follow Up of Management Outstanding Actions**

A separate report is presented to this meeting of the Audit, Risk and Improvement Committee on the management actions outstanding as a result of IA reviews. Management responses were sought and reminders issued and there has been a pragmatic response from the People Service Manager (Payroll related reviews) and the Unit Manager of Facilities and Asset Management (Asset Management review) to close out the old items related to former Councils and progress the systems for the amalgamated entity. The report suggests the

Committee determine the level, frequency and type of information/progress updates they would like to receive from management in respect of closed audits and/or those with long outstanding issues to get a more up to date picture of how critical, operational systems and processes are operating for Central Coast Council.

## **2. IA FRAMEWORK – CONSULTING & ADVISORY ACTIVITIES**

### ***2.1 Consulting/Advisory Activities***

Part of the suite of IA reports to the Committee includes an *Emerging Themes and Risk Outlook* report. This report help inform Committee members of pertinent issues and emerging risks specific to Council and the region and is an important contributor to the themes and inclusions in the next IA work programme.

It is suggested that the Audit, Risk and Improvement Committee use the information in the *IA Comparative Data Analysis and Risk Outlook Report* (issued at the December 2018 meeting) and the *IA Emerging Themes Report* to determine what information/briefings the they would like to receive at future meetings to facilitate meaningful discussion on the key risks and challenges facing Council and the Central Coast Community.

### ***2.2 Relationship Management***

The Chief Internal Auditor (CIA) has held discussions with the Acting Director, Governance and the Acting Executive Manager, Innovation and Futures and other relevant staff to establish a collaborative or secondment arrangement for the Continuous Improvement Officer. The intention is that the Continuous Improvement Officer picks up on outstanding management actions and previously audited systems to conduct and facilitate workshops and help implement actions to address control weaknesses identified through IA reviews. This arrangement will be formally assessed after 6 months and 12 months. The Continuous Improvement Officer is compiling a business case to take forward the arrangement. In the absence of the Chief Internal Auditor, it is anticipated that the Continuous Improvement Officer will be able to work with the People Services Manager to help take forward the control self-assessment and the implementation of risk mitigation measures to better manage the Payroll systems, until a single, automated system is introduced for the whole of Council (currently two separate systems exist, with many manual components).

## **3. IA FRAMEWORK – QUALITY AND PERFORMANCE**

### ***3.1 Monitoring and Measuring the Performance of the IA Function***

The report on how IA is progressing against the Balanced Scorecard metrics (KPIs) has not been prepared for this meeting of the Audit, Risk and Improvement Committee as there has been no change to the previously reported position.



**4. IA FRAMEWORK – PLANNING AND ORGANISATIONAL ANALYSIS**

The CIA has provided a detailed services brief for the co-sourced partnership arrangement to form part of the tender documentation and to inform the tender process. In the absence of the Chief Internal Auditor, this is being taken forward by the Acting Unit Manager of Governance. From the extensive qualitative and quantitative audit needs analysis undertaken by the Chief Internal Auditor it is considered that the proposed audits in the work programme presented to the Audit, Risk and Improvement Committee at the last meeting (December 2018) identifies and focuses on the key risk areas facing Council and the community. The co-sourced partner will be invited to provide feedback on the proposed programme and make any suggestions for additional or different reviews based on their own audit needs analysis methodology. Given the CIA's absence, it is anticipated that this will not take place until around June 2019.

**Attachments**

*Nil.*



**Item No:** 1.8  
**Title:** Progress on Actions Arising from IA Reports  
**Department:** Governance

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5 March 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13469224

Executive: Shane Sullivan, Acting Director Governance

### **Report Purpose**

An action arising from the Audit, Risk and Improvement Committee Meeting of 4 December 2018 was that the Chief Executive Officer undertakes to investigate the lack of progress on actions arising from Internal Audit reviews and report back to the next meeting. The purpose of this report is to provide that update.

#### *Consideration of confidentiality:*

Section 6.4 of the Audit, Risk and Improvement Committee Charter states: "Supporting papers to the agenda considered by the Committee will be made publicly available on Council's website" with a number of specified exceptions to this. The Chief Internal Auditor considers that that neither the nature nor content of this report or its attachment falls within any of the listed exceptions and so recommends that this report and its attachment be made publicly available in line with Section 6.4 of the Charter.

### **Recommendation**

- 1. That the Audit, Risk and Improvement Committee receive the update.***
- 2. That the Committee make a recommendation that this report and the supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.***

On 18 December 2018, the Chief Internal Auditor presented to the Executive Leadership Team regarding both management actions and corporate decisions required as a result of audits.

Following that meeting further information was provided to the Executive Leadership Team regarding the Internal Audit process and flowcharts were provided setting out the involvements at various stages of key stakeholders. It has been agreed that the progression of audit actions, management and corporate responses will be considered by the Executive Leadership Team formally each quarter.

At the end of January 2019, the details of current corporate issues arising from IA reviews was provided by the Chief Internal Auditor to Executive Leadership Team members. These are discussed briefly below with next actions identified.

1. Cash Management in Waste Services

This was discussed by the Executive Leadership team and it was agreed that responsibility for this would be in Financial Services for the development of a corporate framework for cash management.

Some recommendations require a technology solution. This raised the general issue of Council's progress in terms of consolidation of disparate systems as a result of amalgamation. As a result of this, it has been determined to provide the Audit, Risk and Improvement Committee with an update on Council's current status.

It is proposed that following this update, the corporate response will be updated with regard to the Cash Management in Waste Services findings, risks and recommendations.

2. NHV Accreditation

The recommendations in this matter relate to Chain of Responsibility and, as identified require a whole of Council approach. Work has been undertaken in this regard to develop an action plan to implement changes with regard to compliance and contract and contractor management amongst other things.

It is proposed to present the action plan to the Audit Risk and Improvement Committee at its next meeting. In the intervening period, the action plan will be reviewed to identify how it responds to the recommendations to provide an appropriate corporate response.

3. Procurement of IT Goods

The outstanding responses again relate to the implementation of systems, including reporting capacity.

As stated above, this raised the general issue of Council's progress in terms of consolidation of disparate systems as a result of amalgamation. As a result of this, it has been determined to provide the Audit, Risk and Improvement Committee with an update on Council's current status.

It is proposed that following this update the corporate response will be updated.

***Follow Up of Management Outstanding Actions***

Work has continued on the follow up of outstanding management actions. This has resulted in revised responses and the close out of some long standing matters.

To assist Unit Managers in managing this more effectively, a process is being investigated that allows them to have greater visibility of the agreed management actions. There are currently some system limitations that are making this challenging.

**Attachments**

*Nil.*



**Item No:** 1.9  
**Title:** Draft Water Supply Authority Financial Statements for the reporting period 1 July 2017 to 30 June 2018  
**Department:** Finance

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5 March 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00566 - D13475668

**Author:** Mellissa McKee, Financial Controller  
Michelle Best, Financial Controller

**Manager:** Vivienne Louie, Unit Manager, Financial Performance

**Executive:** Shane Sullivan, Acting Director Governance

## **Report Purpose**

This report presents the draft 2017-18 Central Coast Council Water Supply Authority Financial Statements, which cover the period from 1 July 2017 to 30 June 2018, including analysis of the financial position and financial performance for the reporting period.

## **Recommendation**

- 1 That the Audit Risk and Improvement Committee recommends that Council adopt the 2017-18 Central Coast Council Water Supply Authority Financial Statements.**
- 2 That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exception, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter**

## **Background**

Central Coast Council Water Supply Authority was formed on 12 May 2016. The first statutory reporting period for Central Coast Council Water Supply Authority covered the period 13 May 2016 to 30 June 2017 (13.5 months). 2017-18 is the second statutory reporting period for Central Coast Council Water Supply Authority and covers the period 1 July 2017 to 30 June 2018. It should be noted therefore, that when undertaking comparative analysis that the two statutory reporting periods cover 13.5 months compared to 12 months respectively.

## **Adoption of financial statements**

The financial statements for the 2017-18 reporting period are the formal record of the business performance of the Water Supply Authority and are prepared in accordance with accounting standards and legislative requirements for the period from 1 July 2017 to 30 June 2018.

## **Current Status**

### **Audit Status**

The draft 2017-18 Central Coast Council Water Supply Authority financial statements do not yet include a formal audit report. The audit clearance meeting for Central Coast Council Water Supply Authority financial statements was held on Thursday 28 February 2019 with the Audit Office and its contractor PricewaterhouseCoopers (PwC).

Once Council receives the formal audit opinion the financial statements will then be updated to include the audit opinions.

### **Analysis – 2017-18 Financial Statements**

This analysis aims to provide an overview of the financial performance and the financial position of Central Coast Council Water Supply Authority for the reporting period from 1 July 2017 to 30 June 2018. Key statements and notes detailed in this analysis include:

- Income statement
- Statement of financial position
- Statement of performance measures (Note 23 to the financial statements)

Central Coast Council Water Supply Authority's primary financial statements are in the format required by accounting standards and the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) issued by the Office of Local Government (OLG).

Central Coast Council Water Supply Authority is required to publish in the Financial Statements the 2017-18 original budget, in line with the Local Government Code of Accounting Practice and Financial Reporting update number 26 issued in April 2018. To provide context for the actual results for the reporting period, the tables in this report also reference the original budget for 2017-18.

This report provides commentary on significant items in the financial statements for Central Coast Council Water Supply Authority.

### **General Purpose Financial Statements**

For 2017-18 Central Coast Council Water Supply Authority continued to focus on delivery of services and infrastructure with minimal disruption to the community as a result of the amalgamation and aligning processes and systems.

The comparison of the financial performance for Central Coast Council Water Supply Authority from the first statutory reporting period (13 May 2016 to 30 June 2017 – 13.5 months) to the 2017-18 financial year (1 July 2017 to 30 June 2018 – 12 months) is difficult due to the different time frames covered in the reporting periods. A summary of the impact of the first statutory reporting period is reflected in the table below.

**1.9 Draft Water Supply Authority Financial Statements for the reporting period 1 July 2017 to 30 June 2018 (contd)**

	2017-18 Financial Year	2016-17 Statutory Reporting Period
Reporting Period Covers	1 July 2017 to 30 June 2018	13 May 2016 to 30 June 2017
Operating Income	12.0 months	13.5 months
Operating Expenditure	12.0 months	13.5 months
Capital Income	12.0 months	13.5 months

**Operating Result**

	2017-18 Actual \$'000	2016-17* Actual \$'000
<b>Income Statement</b>		
Income from operations	204,070	226,377
Expenditure from operations	212,046	213,532
<b>Net operating result (excluding capital grants and contributions)</b>	<b>(7,976)</b>	<b>12,845</b>
Gain on amalgamation (net assets transferred from former Water Supply Authorities)	-	3,397,409
<b>Operating result for the period (excluding capital grants and contributions)</b>	<b>-</b>	<b>3,410,254</b>
Income from capital grants and contributions	25,729	37,548
<b>Net operating result (including capital grants and contributions)</b>	<b>17,753</b>	<b>3,447,802</b>

\* 2016-17 report period is from 13 May 2016 to 30 June 2017.

The operating deficit before capital grants and contributions for the 2017-18 financial year is \$8.0 million which is attributable to the revaluation decrement in operational land of \$26.0 million. The operating surplus including capital grants and contributions (of \$25.7 million) is \$17.8 million.

During the 2017-18 financial year Central Coast Council Water Supply Authority undertook a revaluation of buildings and operational land. An external Valuer was engaged to perform the valuation in accordance with Australian Accounting Standards and the Office of Local Government Code of Accounting Practice and Financial Reporting – Update No. 26. The impact of the revaluation is an increase to the value of Central Coast Council Water Supply Authority’s buildings of \$4.7 million, plus indexation of Water and Sewer assets of \$46.5 million (which are reflected in Revaluation Reserve on the Statement of Financial Position) and a decrease to the value of Council’s operating land of \$26.0 million (which is reflected in the Income Statement as there is no asset revaluation reserve balance to reflect the decrease in the operating land value – this is in accordance with Australian Accounting Standards).

Central Coast Council Water Supply Authority does not have a balance in the asset revaluation reserve for land as the value of all assets and liabilities from the former Water Supply Authorities were transferred to Central Coast Council Water Supply Authority on 13 May 2016 and recognised as a gain on amalgamation via the Income Statement.

## 1.9 Draft Water Supply Authority Financial Statements for the reporting period 1 July 2017 to 30 June 2018 (contd)

The movement in the value of buildings and operational land is based on the assessed fair value as at 30 June 2018 and represents an unrealised gain or loss in value.

If we exclude the revaluation decrement the operating result for the 2017-18 financial year before capital grants and contributions is \$18.0 million surplus.

Income Statement	2017-18 Actual \$'000	2016-17 Actual \$'000
<b>Net Operating Result for the Period</b>	<b>17,753</b>	<b>3,447,802</b>
Less: Adjustment for net assets transferred from former Councils	-	3,397,409
Less: Adjustment for Capital Grants and Contributions	25,729	37,548
<b>Net Operating Surplus/(Deficit) for the Period before capital grants and contributions and gain on amalgamation</b>	<b>(7,976)</b>	<b>12,845</b>
Add back the adjustment for revaluation decrement of Infrastructure, Property, Plant & Equipment (IPP&E) -Land	26,007	-
<b>Net Operating Surplus/(Deficit) for the Period before capital grants and contributions, gain on amalgamation and revaluation decrement of land</b>	<b>18,031</b>	<b>12,845</b>

Below is a table comparing the 2017-18 actual results to the original budget adopted.

Income Statement	2017-18 Actual \$'000	2017-18 Original Budget \$'000	Variance to Original Budget Favourable / Unfavourable \$'000
Income from operations	204,070	190,992	13,078
Expenditure from operations	212,046	184,848	(27,198)
<b>Net operating result (excluding capital grants and contributions)</b>	<b>(7,976)</b>	<b>6,144</b>	<b>(14,120)</b>
Add back the adjustment for revaluation decrement of Infrastructure, Property, Plant & Equipment (IPP&E) -Land	26,007		(26,007)
<b>Net operating result adjusting for revaluation (excluding capital grants and contributions)</b>	<b>18,031</b>	<b>6,144</b>	<b>11,887</b>

When we exclude the revaluation decrement the variance between the actual net operating result (excluding capital grants and contributions) of \$18.0 million and the original budgeted net operating result (excluding capital grants and contributions) of \$6.1 million is a \$11.9 million favourable variance.

### Income from Operations

The following table shows income by category and is followed by explanations relating to variations between actual income to the original budget.



**1.9 Draft Water Supply Authority Financial Statements for the reporting period 1 July 2017 to 30 June 2018 (contd)**

	2017-18 Actual \$'000	2017-18 Original Budget \$'000	Variance to Original Budget Favourable / Unfavourable \$'000	Variance to Original Budget Favourable / Unfavourable %
<b>Income from Operations</b>				
Rates and Annual Charges	121,097	117,861	3,236	2.7%
User Charges and Fees	74,242	66,592	7,650	11.5%
Interest and Investment Revenue	5,256	2,832	2,424	85.6%
Other Revenues	296	344	(48)	(14.0%)
Grants and Contributions - Operating	3,179	3,363	(184)	(5.5%)
Grants and Contributions - Capital	25,729	8,480	17,249	203.4%
Net Gain from the Disposal of Assets	-	-	-	-
<b>Total Income</b>	<b>229,799</b>	<b>199,472</b>	<b>30,327</b>	

*Rates and annual charges*

The favourable variance of \$3.2 million for rates and annual charges is attributable to water annual charges of \$1.1 million and sewer annual charges of \$2.3 million.

*User charges and fees*

The favourable variance of \$7.7 million for user fees and charges is largely attributable to water supply usage charges of \$4.0 million, \$2.2 million in internal (Council) revenues, \$0.9 million in trade waste user charges and \$0.6 million in miscellaneous fees.

*Interest and investment revenue*

The favourable variance of \$2.4 million for interest and investment revenue is attributable to tighter cash flow management and higher cash and investment balances.

*Other revenue*

The unfavourable variance of \$48k for other revenue relates to miscellaneous income streams and is not material.

*Grants and contributions - Operating*

The unfavourable variance of \$0.2 million in operating grants and contributions relates to miscellaneous grant income and is not material.

*Grants and contributions - Capital*

The favourable variance of \$17.2 million in capital grants and contributions income relates to additional income received from developer contributions for water and sewer infrastructure.

Budgets for capital developer contributions are based on developments in the pipeline – the timing of capital contributions will be dependent on the progress of each development which makes budgeting for capital contributions difficult.

**1.9 Draft Water Supply Authority Financial Statements for the reporting period 1 July 2017 to 30 June 2018 (contd)**

**Expenditure from Operations**

The following table shows expenditure by category and is followed by explanations relating to variations between actual expenses compared to the 2017-18 original budget.

Expenditure from Operations	2017-18	2017-18	Variance to	Variance to
	Actual	Original Budget	Original Budget	Original Budget
	\$'000	\$'000	Favourable / Unfavourable	Favourable / Unfavourable
			\$'000	%
Employee benefits and on-costs	30,848	32,621	(1,773)	(5.4%)
Borrowing costs	19,980	18,889	1,091	5.8%
Materials and contracts	20,625	32,163	(11,538)	(35.9%)
Depreciation and amortisation	73,853	71,623	2,230	3.1%
Other expenses	39,329	29,552	9,777	33.1%
Net losses from the disposal of assets	1,404	-	1,404	-
Revaluation Decrement	26,007	-	26,007	-
<b>Total Expenditure</b>	<b>212,046</b>	<b>184,848</b>	<b>27,198</b>	

*Employee costs*

The favourable variance of \$1.8 million in employee costs relates to some staff vacancies that were experienced throughout 2017-18 and the capitalisation of labour to capital projects.

*Borrowing costs*

The unfavourable variance of \$1.0 million is due to an error in the classification of a loan in General Fund that was a Drainage Fund external loan in the original budget. This was corrected as part of a quarterly budget review, but has resulted in a variance when comparing actuals to the original budget.

*Materials and contracts*

The favourable variance of \$11.5 million in materials and contracts is attributable to underspend in materials of \$1.0 million and \$10.5 million internal expenses that were not budgeted for correctly in the original budget. A \$10.8 million correction was included in the quarterly budget review process during 2017-18, but has resulted in a variance when comparing actuals to the original budget. This also impacts Other expenses - see below.

*Depreciation*

Depreciation is a "non-cash" expense reflecting the economic use of fixed assets. Depreciation and amortisation expense is unfavourable to budget due to the impact of capitalising capital works which increased depreciation by \$2.2 million over the original budget estimate.

*Other expenses*

The unfavourable variance of \$9.8 million in Other expenses is largely attributable to Internal Expenses in the original budget mapped to Materials and Contracts but actuals were mapped to Other expenses. This has resulted in a \$9.3 million variance when comparing actuals to the original budget. The remaining \$0.5 million variance relates to lower corporate overheads

**1.9 Draft Water Supply Authority Financial Statements for the reporting period 1 July 2017 to 30 June 2018 (contd)**

being charged to the Water Supply Authority compared to original budget.

For ease of comparison and to eliminate mapping issues, Materials and Contracts and Other Expenses could be looked at together which would result in an aggregate variance of \$1.8million. The \$1.8 million is made up of the \$1.0m underspend in Materials and Contracts and \$0.5 million variance in Corporate Overheads as explained above, this is shown below.

	2017-18 Actual	2017-18 Original Budget	Variance to Original Budget Favourable / Unfavourable \$'000	Variance to Original Budget Favourable / Unfavourable %
<b>Expenditure from Operations</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Materials and contracts	20,625	32,163	(11,538)	(35.9%)
Other expenses	39,329	29,552	9,777	33.1%
<b>Total Expenditure</b>	<b>59,954</b>	<b>61,715</b>	<b>(1,761)</b>	<b>(2.9%)</b>

*Net losses on disposal of assets*

The \$1.4 million relates to the write off of replaced Stormwater Drainage assets \$0.2 million and Sewer network assets of \$1.2 million during 2017-18.

*Revaluation decrement*

The \$26.0 million is the revaluation decrement of Infrastructure, Property, Plant and Equipment (IPP&E) – Operational Land. Revaluation decrements are offset against the Asset Revaluation Reserve in the first instance, with the balance recognised in the Income Statement. This is the first revaluation of Operational Land since amalgamation; therefore there is no Asset Revaluation Reserve for this asset class to offset the revaluation decrement. All assets transferred from the former Water Supply Authorities on amalgamation were recognised at the new value of the assets transferred via the Income Statement in the 2016-17 statutory reporting period.

**Statement of Financial Position**

The Statement of Financial Position, also commonly known as the Balance Sheet, lists the best estimate of the value of what Central Coast Council Water Supply Authority owns ("assets") and what Central Coast Council Water Supply Authority owes ("liabilities").

Within these headings, "current" means that an amount is due to be paid or likely to be paid within the next 12 months. "Non-current" indicates an asset or liability that is longer term in nature.

**1.9 Draft Water Supply Authority Financial Statements for the reporting period 1 July 2017 to 30 June 2018 (contd)**

	30 June 2017	30 June 2018	Movement
Statement of Financial Position	\$'000	\$'000	\$'000
<b>Assets</b>			
Current Assets	156,178	182,076	25,898
Non-Current Assets	3,645,588	3,688,953	43,365
<b>Total Assets</b>	<b>3,801,766</b>	<b>3,871,029</b>	<b>69,263</b>
<b>Liabilities</b>			
Current Liabilities	42,428	76,198	(33,770)
Non-Current Liabilities	278,075	244,558	33,517
<b>Total Liabilities</b>	<b>320,503</b>	<b>320,756</b>	<b>(253)</b>
<b>Net Assets</b>			
Retained Earnings	3,447,802	3,465,555	17,753
Revaluation Reserve	33,461	84,718	51,257
<b>Net Equity</b>	<b>3,481,263</b>	<b>3,550,273</b>	<b>69,010</b>

*Current assets*

Current assets increased by \$25.9 million due to an increase in Cash and cash equivalents of \$34.5 million and Receivables and Other Current Assets of \$5.4 million. These increases were partially offset by a reduction in Investments of \$14.0 million.

*Non-current assets*

Non-current assets increased by \$43.4 million, which is predominantly due to an increase in non-current investments of \$46.4 million and a small reduction in Infrastructure, Property, Plant and Equipment of \$2.9 million.

Central Coast Council Water Supply Authority overall investment portfolio as at 30 June 2018 totalled \$147.7 million compared to \$115.3 million at 30 June 2017.

*Current Liabilities*

Current liabilities increased by \$33.8 million due primarily to an increase in payables of \$23.6 million, current borrowings of \$10.8 million and current provisions of \$0.5 million and a decrease in income received in advance of \$1.2 million.

*Non-Current Liabilities*

Non-current liabilities decreased by \$33.5 million largely due to repayment of borrowings and movement to current liabilities. Consolidated debt stood at \$271.5 million at 30 June 2018 compared to \$294.8 million at 30 June 2017.

**1.9 Draft Water Supply Authority Financial Statements for the reporting period 1 July 2017 to 30 June 2018 (contd)**

**Statement of Performance Measurement (Note 23(a))**

Note 23 (a) Statement of Performance Measures – includes various indicators mandated by the Office of Local Government (OLG). The following indicators provide a ‘snap shot’ of financial performance. Central Coast Council Water Supply Authority has exceeded the OLG benchmark for the reporting period ended 30 June 2018 with the exception of the Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage.

Local Government Industry Indicators	2017-18	OLG Benchmark	Result
Operating Performance Ratio	9.52%	> 0.00%	✓
Own Source Operating Revenue Ratio	87.42%	> 60.00%	✓
Unrestricted Current Ratio	2.03	> 1.50x	✓
Debt Service Cover Ratio	2.62	> 2.00x	✓
Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage	12.98%	< 5.00%	x
Cash Expense Cover Ratio	15.98	> 3 months	✓

The “target” figures for the indicators reported represent the OLG’s benchmarks. In evaluating performance against these targets consideration should be given to Central Coast Council Water Supply Authority situation as a multi-purpose authority with continuing and significant green field development.

*Operating Performance Ratio* - measures how well Central Coast Council Water Supply Authority contained operating expenditure within operating revenue

*Own Source Operating Revenue Ratio* - measures Central Coast Council Water Supply Authorities fiscal flexibility and the degree of reliance on external funding sources such as operating grants and contributions.

*Unrestricted Current Ratio* – measures the adequacy of working capital and Central Coast Council Water Supply Authorities ability to satisfy obligations in the short term.

*Debt Service Cover Ratio* - measures the availability of operating cash to service debt including interest, principal and lease payments

*Rate and annual charges outstanding ratio* - assesses the impact of uncollected annual charges on Central Coast Council Water Supply Authorities liquidity and the adequacy of debt recovery efforts.

Central Coast Council Water Supply Authority will work with our ratepayers on financially affordable payment plans in accordance with the Policy for Debt Recovery and Hardship to move towards achieving industry benchmark for this measure.

*Cash Expense Cover Ratio* - this liquidity ratio indicates the number of months Central Coast Council Water Supply Authority can continue paying for its immediate expenses without additional cash inflow.

### **Uncorrected error in Sewerage Network Assets**

Central Coast Council Water Supply Authority is required to annually index Water and Sewerage network assets in the years between full revaluations using the indexation rate published by the NSW Office of Water. Annual indexation is necessary to avoid understating asset values and depreciation. Water supply network and sewerage network assets were indexed by 2.1% in accordance with Rates Reference Manual issued by Crown Lands and Water (CLAW) resulting in an increase in the asset value by \$46.5 million.

Whilst 161,178 assets were indexed correctly, during audit it was noted 174 Sewerage Network assets were not indexed due to an error in processing. Sewerage Network assets were therefore undervalued by \$3.4 million at 30 June 2018.

As at 30 June 2018 the net carrying amount of the sewerage network reflected in the financial statements was \$1.4 billion. The \$3.4 million represents 0.2% of the sewerage network. Based on this an adjustment has not been made to correct the error as it was decided that the effect of not correcting this error is not material to the reading of 2017-18 financial statements and correcting the error would result in a different value for the sewerage network assets between the Water Supply Authority financial statements and Council's consolidated financial statements.

The error will be corrected during the 2018-19 financial year, with the 174 sewerage asset values indexed with an effective date of 1 July 2018 to ensure that the depreciation expense for the 2018-19 financial year is correct.

### **Attachments**

- |  |           |
|--|-----------|
| <b>1</b> Central Coast Council Water Supply Authority Draft 2017-18 Financial Statements | D13476121 |
|--|-----------|



Financial Reports  
Water Supply Authority  
Central Coast Council  
1 July 2017 to 30 June 2018

## Central Coast Council Water Supply Authority

### General Purpose Financial Statements

for the year ended 30 June 2018

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– On the Financial Statements (Sect 417 [2])	
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#### Overview

Central Coast Council Water Supply Authority is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

2 Hely Street, Wyong NSW 2259  
49 Mann Street, Gosford 2250

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.centralcoast.nsw.gov.au](http://www.centralcoast.nsw.gov.au).



## Central Coast Council Water Supply Authority

### General Purpose Financial Statements

for the year ended 30 June 2018

### Understanding Council's financial statements

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#### 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 Statement by Councillors and Management

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

This statement summarises Council's financial performance for the year, listing all income and expenses.

It 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

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

##### 3. The Statement of Financial Position

This statement is 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

This statement indicates where Council's cash came from and where it was spent.

It 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.

## Central Coast Council Water Supply Authority

### 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:**

- section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Act 1993 (NSW)* and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed on

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Jane Smith  
Mayor

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Chris Holstein  
Deputy Mayor

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Gary Murphy  
Chief Executive Officer

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Vivienne Louie  
Responsible Accounting Officer

## Central Coast Council Water Supply Authority

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
117,861	Rates and annual charges	3a	121,097	139,937
66,592	User charges and fees	3b	74,242	76,195
2,832	Interest and investment revenue	3c	5,256	5,091
344	Other revenues	3d	296	626
3,363	Grants and contributions provided for operating purposes	3e,f	3,179	4,528
8,480	Grants and contributions provided for capital purposes	3e,f	25,729	37,548
199,472	Total income from continuing operations		229,799	263,925
<b>Expenses from continuing operations</b>				
32,621	Employee benefits and on-costs	4a	30,848	33,300
18,889	Borrowing costs	4b	19,980	23,455
32,163	Materials and contracts	4c	20,625	23,477
71,623	Depreciation and amortisation	4d	73,853	84,384
29,552	Other expenses	4e	39,329	44,324
–	Net losses from the disposal of assets	5	1,404	4,592
–	Revaluation decrement / impairment of IPP&E	4d	26,007	–
184,848	Total expenses from continuing operations		212,046	213,532
14,624	Operating result from continuing operations		17,753	50,393
14,624	Net operating result for the year		17,753	50,393
<b>Gain on local government amalgamation</b>				
–	Assets and liabilities transferred from former councils		–	3,397,409
14,624	Net result for the year		17,753	3,447,802
14,624	Net result attributable to Council		17,753	3,447,802
6,144	Net operating result for the year before grants and contributions provided for capital purposes		(7,976)	12,845

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

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## Central Coast Council Water Supply Authority

## Statement of Comprehensive Income

for the year ended 30 June 2018

\$ '000	Notes	2018	13/5/16 to 30/6/17
<b>Net result for the year</b> (as per Income Statement)		<b>17,753</b>	<b>3,447,802</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	51,257	33,461
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>51,257</b>	<b>33,461</b>
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>51,257</b>	<b>33,461</b>
<b>Total comprehensive income for the year</b>		<b>69,010</b>	<b>3,481,263</b>
Total comprehensive income attributable to Council		69,010	3,481,263

## Central Coast Council Water Supply Authority

## Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	34,717	188
Investments	6b	98,442	112,491
Receivables	7	48,917	43,163
Other	8	–	336
<b>Total current assets</b>		<b>182,076</b>	<b>156,178</b>
<b>Non-current assets</b>			
Investments	6b	49,209	2,823
Receivables	7	3,554	3,692
Infrastructure, property, plant and equipment	9	3,634,487	3,637,370
Intangible assets	10	1,703	1,703
<b>Total non-current assets</b>		<b>3,688,953</b>	<b>3,645,588</b>
<b>TOTAL ASSETS</b>		<b>3,871,029</b>	<b>3,801,766</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	31,180	7,559
Income received in advance	11	1,766	2,972
Borrowings	11	31,314	20,498
Provisions	12	11,938	11,399
<b>Total current liabilities</b>		<b>76,198</b>	<b>42,428</b>
<b>Non-current liabilities</b>			
Payables	11	2,399	–
Income received in advance	11	478	2,166
Borrowings	11	240,188	274,304
Provisions	12	1,493	1,605
<b>Total non-current liabilities</b>		<b>244,558</b>	<b>278,075</b>
<b>TOTAL LIABILITIES</b>		<b>320,756</b>	<b>320,503</b>
<b>Net assets</b>		<b>3,550,273</b>	<b>3,481,263</b>
<b>EQUITY</b>			
Accumulated surplus	13	3,465,555	3,447,802
Revaluation reserves	13	84,718	33,461
<b>Total equity</b>		<b>3,550,273</b>	<b>3,481,263</b>

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

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Central Coast Council Water Supply Authority

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

	2018		13/5/16 to 30/6/17	
	Accumulated surplus	IPP&E revaluation reserve	Accumulated surplus	IPP&E revaluation reserve
\$ '000	Notes		Notes	
		Total equity		Total equity
Opening balance	3,447,802	33,461	3,447,802	33,461
Net result for the year prior to correction of errors and changes in accounting policies	17,753	-	17,753	-
Net result for the year	17,753	-	17,753	-
Other comprehensive income				
- Gain (loss) on revaluation of IPP&E	-	51,257	-	33,461
Other comprehensive income	-	51,257	-	33,461
Total comprehensive income (c&d)	17,753	51,257	17,753	33,461
Equity – balance at end of the reporting period	3,465,555	84,718	3,447,802	33,461
				3,481,263

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

## Central Coast Council Water Supply Authority

## Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
117,299	Rates and annual charges		119,101	152,293
63,004	User charges and fees		81,611	68,115
5,002	Investment and interest revenue received		5,815	3,464
13,980	Grants and contributions		18,980	26,770
2,698	Bonds, deposits and retention amounts received		2,448	–
1,010	Other		7,332	(4,821)
<b>Payments:</b>				
(31,210)	Employee benefits and on-costs		(30,267)	(34,763)
(37,598)	Materials and contracts		(17,466)	(23,814)
(17,533)	Borrowing costs		(19,668)	(26,375)
(2,429)	Other		(40,046)	(71,320)
114,223	<b>Net cash provided (or used in) operating activities</b>	14b	127,840	89,549
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
250,000	Sale of investment securities		226,653	131,162
–	Sale of infrastructure, property, plant and equipment		–	201
<b>Payments:</b>				
(200,000)	Purchase of investment securities		(258,990)	(159,310)
(56,394)	Purchase of infrastructure, property, plant and equipment		(37,674)	(45,215)
(6,394)	<b>Net cash provided (or used in) investing activities</b>		(70,011)	(73,162)
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(23,300)	Repayment of borrowings and advances		(23,300)	(20,879)
(23,300)	<b>Net cash flow provided (used in) financing activities</b>		(23,300)	(20,879)
84,529	<b>Net increase/(decrease) in cash and cash equivalents</b>		34,529	(4,492)
188	Plus: cash and cash equivalents – beginning of period	14a	188	–
–	Plus: cash transferred on amalgamation of councils		–	4,680
84,717	<b>Cash and cash equivalents – end of the year</b>	14a	34,717	188
Additional Information:				
	plus: Investments on hand – end of year	6b	147,651	115,314
	<b>Total cash, cash equivalents and investments</b>		182,368	115,502

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

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## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

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## Central Coast Council Water Supply Authority

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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Central Coast Council, within its overall statutory responsibilities, is a statutory authority for water supply and related purposes, under the Water Management Act 2000. The principal business offices for Central Coast Council Water Supply Authority (CCCWSA) are 2 Hely Street, Wyong NSW 2259 and 49 Mann Street, Gosford NSW 2250. CCCWSA controls resources to carry out water supply, sewerage, stormwater drainage and ancillary activities within the Central Coast local government area and these functions have been consolidated in these financial statements.

These financial statements were authorised for issue on 4 March 2019.

CCCWSA 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, section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. CCCWSA 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 20 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 18 – Material budget variations

#### **(a) New and amended standards adopted by Central Coast Council Water Supply Authority**

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

CCCWSA is now required to report related party disclosures in CCCWSA under AASB 124 *Related Party Disclosures*. The reporting requirements under this accounting standard were adopted for the first time in these financial statements.

The impact adopting this standard has had no impact on the reporting of CCCWSA's financial position or performance.

Note 20 is now included in these financial statements for related parties and incorporates all required related party disclosures.

## Central Coast Council Water Supply Authority

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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##### (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 CCCWSA'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 CCCWSA and that are believed to be reasonable under the circumstances.

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

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

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

##### **Significant judgements in applying CCCWSA's accounting policies**

- (iii) Impairment of receivables

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

##### **Monies and other assets received by CCCWSA**

###### (a) The Consolidated Fund

These financial statements represent the consolidation of the Water, Sewerage and Drainage Funds.

The notional cash and investment assets of CCCWSA are represented in practice by an equity interest in the general cash and investment assets of Central Coast Council as a whole and all investment assets and bank accounts are held in the name of Central Coast Council.

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

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

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

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 1. Basis of preparation (continued)

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**

Local Government Code of Accounting Practice and reporting (Code Update 26) introduces new accounting standards issued by the Australian Accounting Standards Board that are not yet effective, but require disclosure in CCCWSA's financial statements for 30 June 2018.

CCCWSA has not elected to adopt any of these standards before their operative date in these financial statements.

As at the date of authorisation of these financial statements, the standards listed below were in issue but not yet effective. The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

**Effective for annual reporting periods beginning on or after 1 January 2018**

Pronouncement	<b>AASB 9 <i>Financial Instruments and Associated Amending Standards</i></b>
Nature of change in accounting policy	<p>Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value.</p> <p>Amends measurement rules for financial liabilities that CCCWSA elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in CCCWSA's own credit risk are presented in Other Comprehensive Income.</p> <p>Impairment of assets is now based on expected losses in AASB 9 which requires CCCWSA to measure:</p> <ul style="list-style-type: none"> <li>• The 12 month expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date</li> <li>• Expected credit losses that result from all possible default events over the life of the financial instrument.</li> </ul>
Expected impact on CCCWSA's financial statements	Each financial asset and liability held by CCCWSA will be assessed for potential impacts under AASB 9. CCCWSA regularly assess its financial risk associated with its investments and borrowings and does not believe that the implementation of AASB 9 will have a significant impact on CCCWSA's financial statements.

Pronouncement	<b>AASB 15 <i>Revenue from Contracts with Customers, and associated amending standards</i></b>
Nature of change in accounting policy	<p>AASB 15 introduces a five step process for revenue recognition with the core principle of the new standard being for CCCWSA to recognise revenue to depict the transfer of goods and services to customers in amounts that reflect the consideration to which CCCWSA expects to be entitled in exchange for those goods and services.</p> <p>Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.</p> <p>AASB 15 will also result in enhanced disclosure about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.</p>

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 1. Basis of preparation (continued)

Expected impact on CCCWSA's financial statements	CCCWSA will assess each revenue stream to determine when, under the five step process, that revenue should be recognised. The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements. In particular, the timing and specific nature of grant income will be assessed.
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## Effective for annual reporting periods beginning on or after 1 January 2019

Pronouncement	<b>AASB 1058 Income of Not-For-Profit Entities</b>
Nature of change in accounting policy	<p>AASB 1058 supersedes all the income recognition requirements relating to CCCWSA, previously in AASB 1004 <i>Contributions</i>. Under this Standard, the timing of income recognition will depend on whether a transaction gives rise to a performance obligation, liability or contribution by owners, related to an asset received.</p> <p>Where CCCWSA receives an asset for significantly less than its fair value principally to enable it to further its objectives, it recognises the asset in accordance with the relevant Australian Accounting Standard. CCCWSA then considers whether any other financial statement disclosure (called 'related amounts') should be recognised in accordance with the applicable accounting standard, for example:</p> <ul style="list-style-type: none"> <li>• Contributions by owners (AASB 1004)</li> <li>• Revenue or contract liability (AASB 15)</li> <li>• A lease liability (AASB 16 <i>Leases</i>)</li> <li>• A financial instrument (AASB 9)</li> <li>• A provision (AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>)</li> </ul> <p>CCCWSA will recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.</p>
Expected impact on CCCWSA's financial statements	<p>The interaction between AASB 15 and AASB 1058 now requires CCCWSA when it receives government grants, to decide whether these grants need to be accounted for under AASB 15 or AASB 1058. To do this CCCWSA must establish whether the government grants received contain sufficiently specific and enforceable obligations.</p> <p>AASB 15 applies if the consideration is solely performance obligations under an enforceable contract and sufficiently specific to enable determination as to when the obligations are satisfied. All other government grants will be accounted for under AASB 1058, using different accounting principles, whether a grant contains enforceable and sufficiently specific obligations will be a critical judgement CCCWSA must make.</p>

Pronouncement	<b>AASB 16 Leases</b>
Nature of change in accounting policy	<p>AASB 16 will result in most of the operating leases of CCCWSA being brought onto the Statement of Financial Position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet.</p> <p>The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term and increase in lease payments.</p> <p>A corresponding right to use assets will be recognised which will be amortised over the term of the lease.</p> <p>Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges.</p>

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 1. Basis of preparation (continued)

Expected impact on CCCWSA's financial statements	<p>CCCWSA will review each of its leases in place, particularly where CCCWSA is the lessee to determine the impact of AASB 16.</p> <p>While the impact of AASB 16 is yet to be determined, CCCWSA currently has operating leases which are likely to be brought to account. This will result in a non-current right of use asset and recognition of a lease liability which will be allocated into a current (less than 12 months) and a non-current (great than 12 months) component.</p> <p>This will result in rent expense decreasing and interest and depreciation increasing.</p>
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Central Coast Council Water Supply Authority

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	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	2017
Drainage	27,579	32,924	38,433	28,485	(10,854)	4,439	1,427	334	1,059,191	1,057,666
Water supplies	102,788	113,422	83,516	93,338	19,272	20,084	1,309	2,040	1,204,681	1,169,365
Sewerage services	99,432	118,329	90,097	92,459	9,335	25,870	1,806	6,147	1,607,157	1,574,735
<b>Total functions and activities</b>	<b>229,799</b>	<b>264,675</b>	<b>212,046</b>	<b>214,282</b>	<b>17,753</b>	<b>50,393</b>	<b>4,541</b>	<b>8,521</b>	<b>3,871,029</b>	<b>3,801,766</b>

## Central Coast Council Water Supply Authority

### 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:**

##### **Drainage**

Drainage services maintains and operates stormwater drainage services keeping them to standards appropriate to its use in a cost-effective and sustainable manner.

##### **Water supplies**

Water supply provides safe and reliable water services including the collection, storage, transportation, treatment and distribution of water to standards appropriate to its use in a cost-effective and sustainable manner.

##### **Sewerage services**

Sewerage services provides safe and reliable storage collection, treatment and disposal facilities for sewage in a cost-effective and sustainable manner.

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
<b>(a) Rates and annual charges</b>		
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Water supply services	23,966	28,479
Sewerage services	79,317	91,394
Drainage	17,624	19,581
Liquid trade waste	190	483
<b>Total annual charges</b>	<b>121,097</b>	<b>139,937</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>121,097</b>	<b>139,937</b>

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

**Accounting policy for rates and annual charges**

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

Control over assets acquired from 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 charges.

**(b) User charges and fees**

	2018	13/5/16 to 30/6/17
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)		
Water supply services	66,418	68,126
Sewerage services	2,490	3,224
Liquid trade waste	2,749	2,373
<b>Total specific user charges</b>	<b>71,657</b>	<b>73,723</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Inspection services	24	19
Regulatory/ statutory fees	378	806
<b>Total fees and charges – statutory/regulatory</b>	<b>402</b>	<b>825</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Water connection fees	872	1,018
Sewer application fees	24	262
Sewer diagrams	393	176
Special water meter reading fees	14	15
Water carters licence fees	64	90
Sewer connection fees	446	–
Other	370	86
<b>Total fees and charges – other</b>	<b>2,183</b>	<b>1,647</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>74,242</b>	<b>76,195</b>

**Accounting policy for user charges and fees**

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



## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
<b>Interest</b>		
– Overdue rates and annual charges (incl. special purpose rates)	976	1,497
– Cash and investments	4,269	3,538
– Other	11	56
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>5,256</b>	<b>5,091</b>

Interest revenue is attributable to:

**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	976	1,497
General Council cash and investments	1,472	1,634

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	810	566
– Section 64	1,998	1,394

<b>Total interest and investment revenue recognised</b>	<b>5,256</b>	<b>5,091</b>
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**Accounting policy for interest and investment revenue**

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

## (d) Other revenues

External works	–	18
Property rents	108	29
Other supply/ services – water	77	421
Other supply/ services – sewer	111	32
Other	–	126
<b>TOTAL OTHER REVENUE</b>	<b>296</b>	<b>626</b>

**Accounting policy for other revenue**

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

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
<b>(e) Grants</b>				
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	1,289	1,484	–	–
– Sewerage	1,265	1,441	–	–
Sewerage services	–	–	–	3,864
Bushfire and emergency services	–	77	62	–
Drainage / environment	–	61	1,300	–
Environmental protection	–	184	–	–
LIRS subsidy	610	930	–	–
Storm damage	–	–	–	480
Other	15	–	–	–
<b>Total specific purpose</b>	<b>3,179</b>	<b>4,177</b>	<b>1,362</b>	<b>4,344</b>
<b>Total grants</b>	<b>3,179</b>	<b>4,177</b>	<b>1,362</b>	<b>4,344</b>
<b>Grant revenue is attributable to:</b>				
– State funding	3,179	4,177	1,362	4,344
	<b>3,179</b>	<b>4,177</b>	<b>1,362</b>	<b>4,344</b>
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):				
<b>Cash contributions</b>				
S 7.11 – contributions towards amenities/services	–	–	–	917
S 64 – water supply contributions	–	–	5,121	6,535
S 64 – sewerage service contributions	–	–	6,095	6,186
S 7.11 – stormwater contributions	–	–	3,000	2,239
<b>Total developer contributions – cash</b>	<b>–</b>	<b>–</b>	<b>14,216</b>	<b>15,877</b>
<b>Total developer contributions</b>	<b>21</b>	<b>–</b>	<b>14,216</b>	<b>15,877</b>

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(f) Contributions (continued)				
<b>Other contributions:</b>				
<b>Cash contributions</b>				
Sewerage (excl. section 64 contributions)	–	–	460	2,585
Vehicle contributions by employees	–	351	–	–
Water supplies (excl. section 64 contributions)	–	–	241	66
<b>Total other contributions – cash</b>	<b>–</b>	<b>351</b>	<b>701</b>	<b>2,651</b>
<b>Non-cash contributions</b>				
Dedications – subdivisions (other than by s7.11)	–	–	9,450	14,676
<b>Total other contributions</b>	<b>–</b>	<b>351</b>	<b>10,151</b>	<b>17,327</b>
Total contributions	–	351	24,367	33,204
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>3,179</b>	<b>4,528</b>	<b>25,729</b>	<b>37,548</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.

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	13/5/16 to 30/6/17
<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	2,496	–
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>2,496</u>	<u>–</u>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	2,353	2,409
Less: capital grants recognised in a previous reporting period now spent	(1)	(56)
<b>Unexpended and held as restricted assets (capital grants)</b>	<u>2,352</u>	<u>2,353</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	69,820	59,540
Add: contributions recognised in the current period but not yet spent	17,023	17,835
Add: contributions received for the provision of goods and services in a future period	–	(7,555)
Less: contributions recognised in a previous reporting period now spent	(1,689)	–
<b>Unexpended and held as restricted assets (contributions)</b>	<u>85,154</u>	<u>69,820</u>

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	27,037	28,579
Employee termination costs	302	110
Travel expenses	–	553
Employee leave entitlements (ELE)	1,878	3,068
Superannuation	2,241	3,563
Workers' compensation insurance	(19)	1,093
Payroll tax	2,617	2,010
Training costs (other than salaries and wages)	100	25
Protective clothing	175	–
Other	6	61
<b>Total employee costs</b>	<b>34,337</b>	<b>39,062</b>
Less: capitalised costs	(3,489)	(5,762)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>30,848</b>	<b>33,300</b>

**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 CCCWSA are entitled to benefits on retirement, disability or death. CCCWSA 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 CCCWSA 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 16 for more information.

(b) Borrowing costs	2018	13/5/16 to 30/6/17
<b>(i) Interest bearing liability costs</b>		
Interest on loans	19,915	22,977
Other debts	65	478
<b>Total interest bearing liability costs expensed</b>	<b>19,980</b>	<b>23,455</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>19,980</b>	<b>23,455</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.

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	13/5/16 to 30/6/17
<b>(c) Materials and contracts</b>		
Raw materials and consumables	10,881	11,607
Contractor and consultancy costs	9,658	11,722
Auditors remuneration <sup>(2)</sup>	82	93
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	4	55
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>20,625</b>	<b>23,477</b>

**Operating leases**

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

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

Computers	–	39
Motor vehicles	4	–
Other	–	16
	<b>4</b>	<b>55</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	82	77
<b>Remuneration for audit and other assurance services</b>	<b>82</b>	<b>77</b>
<b>Total Auditor-General remuneration</b>	<b>82</b>	<b>77</b>

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

Other audit and assurance services	–	16
<b>Remuneration for audit and other assurance services</b>	<b>–</b>	<b>16</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>–</b>	<b>16</b>
<b>Total Auditor remuneration</b>	<b>82</b>	<b>93</b>

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	13/5/16 to 30/6/17
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		14	720
Office equipment		21	66
Furniture and fittings		18	19
<b>Infrastructure:</b>			
– Buildings – specialised		333	477
– Other structures		46	52
– Roads		1	1
– Stormwater drainage		15,230	17,400
– Water supply network		25,120	28,466
– Sewerage network		33,070	37,159
Intangible assets	10	–	24
Total depreciation and amortisation costs		<u>73,853</u>	<u>84,384</u>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
Operational Land		26,007	–
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<u>26,007</u>	<u>–</u>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</b>		<u>99,860</u>	<u>84,384</u>

**Accounting policy for depreciation, amortisation and impairment expenses****Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 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**

CCCWSA 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.

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	13/5/16 to 30/6/17
(e) Other expenses		
Advertising	15	–
Administration support	20,718	28,118
Bad and doubtful debts	127	33
Computer software charges	702	51
Electricity and heating	6,781	7,563
Gas charges	147	33
Insurance	47	337
Licences	312	207
Plant hire	4,638	2,810
Postage	1	–
Printing and stationery	33	33
Road opening permits	165	137
Subscriptions and publications	68	–
Telephone and communications	118	363
Tipping fees	4,529	2,551
Water purchases	342	161
Water and sewer operations	524	1,906
Other	62	21
<b>TOTAL OTHER EXPENSES</b>	<b>39,329</b>	<b>44,324</b>

**Accounting policy for other expenses**

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



## Central Coast Council Water Supply Authority

## 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	13/5/16 to 30/6/17
Plant and equipment	9		
Proceeds from disposal – plant and equipment		–	201
Less: carrying amount of plant and equipment assets sold/written off		–	(155)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>46</b>
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(1,404)	(4,638)
<b>Net gain/(loss) on disposal</b>		<b>(1,404)</b>	<b>(4,638)</b>
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		226,653	–
Less: carrying amount of financial assets sold/redeemed/matured		(226,653)	–
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(1,404)</b>	<b>(4,592)</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.

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

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	–	63
Cash-equivalent assets		
– Deposits at call	34,717	125
<b>Total cash and cash equivalents</b>	<b>34,717</b>	<b>188</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.

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 6(b). Investments

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Investments				
'Held to maturity'	98,442	49,209	112,491	2,823
Total investments	<u>98,442</u>	<u>49,209</u>	<u>112,491</u>	<u>2,823</u>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<u>133,159</u>	<u>49,209</u>	<u>112,679</u>	<u>2,823</u>
<b>Held to maturity investments</b>				
Long term deposits	96,035	43,330	109,489	2,823
NCD's, FRN's (with maturities > 3 months)	<u>2,407</u>	<u>5,879</u>	<u>3,002</u>	<u>-</u>
<b>Total</b>	<u>98,442</u>	<u>49,209</u>	<u>112,491</u>	<u>2,823</u>

## Accounting policy for investments

## Classification

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

## Held to maturity investments

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

## Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which CCCWSA 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 CCCWSA has transferred substantially all the risks and rewards of ownership.

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

## Impairment of available for sale investments

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

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## 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	133,159	49,209	112,679	2,823
<b>attributable to:</b>				
External restrictions (refer below)	44,430	47,709	71,826	2,823
Internal restrictions (refer below)	1,084	1,500	2,354	–
Unrestricted	87,645	–	38,499	–
	<u>133,159</u>	<u>49,209</u>	<u>112,679</u>	<u>2,823</u>

\$ '000	2018	2017
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## Details of restrictions

**External restrictions – included in liabilities**Specific purpose unexpended loans – sewer – 706External restrictions – included in liabilities – 706**External restrictions – other**Developer contributions – water fund 35,918 30,621Developer contributions – sewer fund 18,718 12,419Developer contributions – VPA – water 2,325 2,280Developer contributions – VPA – sewer 389 381Developer contributions – drainage 27,708 24,021Specific purpose unexpended grants-water fund 3,613 2,355Specific purpose unexpended grants-sewer fund 1,235 –Prepaid contributions – water – 56Prepaid contributions – sewer – 1,087Self insurance – sewer 1,522 338Self insurance – water 611 286Contributions to works – water 100 100**External restrictions – other** 92,139 73,944**Total external restrictions** 92,139 74,650**Internal restrictions**Employees leave entitlement – drainage 181 167Public liability insurance – water 42 13Employee leave entitlement – water 964 986Employee leave entitlement – sewer 1,030 919St Huberts drainage licence fee – 268Public liability insurance – sewer 5 –Other (St Hubert's Drainage Licence Fee) 363 –**Total internal restrictions** 2,584 2,353**TOTAL RESTRICTIONS** 94,723 77,003

## Central Coast Council Water Supply Authority

## 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	–	–	873	–
Interest and extra charges	1,261	–	1,820	–
User charges and fees	11,894	3,252	22,055	3,354
Accrued revenues				
– Interest on investments	1,544	–	1,544	–
– Other income accruals	14,248	–	57	–
Drainage annual charges	2,047	–	1,952	–
Government grants and subsidies	2,785	–	2,307	–
Liquid trade waste	440	–	436	–
Sewerage annual charges	11,417	–	9,304	–
Water annual charges	3,277	–	2,616	–
Other debtors	4	302	227	338
<b>Total</b>	<b>48,917</b>	<b>3,554</b>	<b>43,191</b>	<b>3,692</b>
<b>Less: provision for impairment</b>				
Other debtors	–	–	(28)	–
<b>Total provision for impairment – receivables</b>	<b>–</b>	<b>–</b>	<b>(28)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>48,917</b>	<b>3,554</b>	<b>43,163</b>	<b>3,692</b>

There are no restrictions applicable to the above assets.

	2018	13/5/16 to 30/6/17
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year	28	–
+ new provisions recognised during the year	–	28
– amounts already provided for and written off this year	(28)	–
<b>Balance at the end of the year</b>	<b>–</b>	<b>28</b>

**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 7) 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.

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 7. Receivables (continued)

**Accounting policy for receivables (continued)****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 CCCWSA 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.

## Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Other assets				
Prepayments	—	—	336	—
<b>TOTAL OTHER ASSETS</b>	<b>—</b>	<b>—</b>	<b>336</b>	<b>—</b>

**Externally restricted assets**

There are no restrictions applicable to the above assets.

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

CCCWSA currently does not have any land held for resale.

CCCWSA accounting policy for 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.

Central Coast Council Water Supply Authority

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

Note 9. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (A/R)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	79,583	-	79,583	32,566	-	-	-	-	(33,609)	-	-	78,540	-	78,540
Plant and equipment	7,328	3,957	3,371	-	-	-	(14)	-	-	(3,293)	-	1,133	1,070	63
Office equipment	746	695	51	-	-	-	(21)	-	-	-	-	620	590	30
Furniture and fittings	854	698	156	-	-	-	(18)	-	-	-	-	854	716	138
Land:														
- Operational land	79,346	-	79,346	-	-	-	-	(26,007)	-	17,367	-	70,706	-	70,706
- Community land	22,682	-	22,682	-	7	-	-	-	(15,338)	-	-	7,351	-	7,351
Infrastructure:														
- Buildings – specialised	30,984	6,467	24,517	-	-	-	(333)	-	(128)	4,708	-	47,042	18,278	28,764
- Other structures	1,445	246	1,199	-	-	-	(46)	-	128	-	-	1,631	350	1,281
- Roads	42	18	24	-	-	-	(1)	-	-	-	-	42	19	23
- Bulk earthworks (non-depreciable)	16	-	16	-	-	-	-	-	-	-	-	16	-	16
- Stormwater drainage	1,438,951	436,535	1,002,416	-	4,567	(207)	(15,230)	-	13,514	-	-	1,464,883	453,458	1,011,425
- Water supply network	1,747,559	713,469	1,034,090	-	1,745	-	(25,120)	-	524	21,276	-	1,786,097	753,582	1,032,515
- Sewerage network	2,193,649	803,730	1,389,919	-	3,138	(1,196)	(33,070)	-	19,571	25,273	-	2,252,235	848,600	1,403,635
<b>TOTAL INFRASTRUCTURE</b>	<b>5,603,185</b>	<b>1,965,815</b>	<b>3,637,370</b>	<b>32,566</b>	<b>9,457</b>	<b>(1,403)</b>	<b>(73,853)</b>	<b>(26,007)</b>	<b>-</b>	<b>5,101</b>	<b>51,257</b>	<b>5,711,150</b>	<b>2,076,663</b>	<b>3,634,487</b>

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

## Central Coast Council Water Supply Authority

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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, land under roads, bulk earthworks, detention basins and wetlands (part of the Stormwater Drainage asset class) are 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>Buildings</b>	<b>Years</b>
Office equipment	2 to 10	Specialised	8 to 150
Furniture and fittings	10 to 15		
Other plant and equipment	2 to 35	<b>Roads - car parks</b>	15 to 63
		<b>Other Structures</b>	5 to 100
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Water supply network	4 to 333	Drains	5 to 150
Sewerage network	4 to 238		

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.

## Central Coast Council Water Supply Authority

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

###### Land under roads

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

Council has elected 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 recognise rural fire service assets including land, buildings, plant and vehicles.



## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 10. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
<b>Opening values:</b>		
Gross book value (1/7)	4,172	4,172
Accumulated amortisation (1/7)	<u>(2,469)</u>	<u>(2,446)</u>
<b>Net book value – opening balance</b>	<b><u>1,703</u></b>	<b><u>1,726</u></b>
<b>Movements for the year</b>		
– Amortisation charges	–	(24)
<b>Closing values:</b>		
Gross book value (30/6)	4,172	4,172
Accumulated amortisation (30/6)	<u>(2,469)</u>	<u>(2,469)</u>
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b> <sup>1</sup>	<b><u>1,703</u></b>	<b><u>1,703</u></b>
<b><sup>1</sup> The net book value of intangible assets represent:</b>		
Drainage easements	<u>1,703</u>	<u>1,703</u>
	<b><u>1,703</u></b>	<b><u>1,703</u></b>

**Accounting policy for intangible assets****Drainage easements**

Consistent with NSW Treasury policy, easements (the right of access over land) are recognised as intangible assets.

Easements are determined to have indefinite lives, as there is no finite period over which their use is fully consumed. They convey a right to the Council to enable it to gain access to its infrastructure assets over an indefinite period of time. Unlike the infrastructure assets themselves, which are consumed over a finite period and undergo replacement to enable continuity of service, an easement can exist continuously throughout this period and beyond, and thus may never need to be released. Easements are only derecognised when a management decision has been made to relocate the relevant infrastructure asset and the need for the easement no longer exists.

Since easements are viewed as having an indefinite life, they are not amortised, however, they are tested for impairment.

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	3,610	–	451	–
Accrued expenses:				
– Borrowings	1,401	–	1,089	–
– Salaries and wages	614	–	548	–
– Other expenditure accruals	24,169	–	4,339	–
Security bonds, deposits and retentions	299	2,399	250	–
Other	1,087	–	–	–
Other	–	–	882	–
<b>Total payables</b>	<b>31,180</b>	<b>2,399</b>	<b>7,559</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	1,766	478	2,972	2,166
<b>Total income received in advance</b>	<b>1,766</b>	<b>478</b>	<b>2,972</b>	<b>2,166</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	30,250	215,186	19,520	245,436
Loans – unsecured	1,064	25,002	978	28,868
<b>Total borrowings</b>	<b>31,314</b>	<b>240,188</b>	<b>20,498</b>	<b>274,304</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>64,260</b>	<b>243,065</b>	<b>31,029</b>	<b>276,470</b>

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

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Developer contributions in advance sewer	–	–	1,087	–
Developer contributions in advance water	–	1,746	56	1,668
Other	–	653	–	–
Payables and borrowings relating to externally restricted assets	–	2,399	1,143	1,668
<b>Total payables and borrowings relating to restricted assets</b>	<b>–</b>	<b>2,399</b>	<b>1,143</b>	<b>1,668</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>64,260</b>	<b>240,666</b>	<b>29,886</b>	<b>274,802</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>64,260</b>	<b>243,065</b>	<b>31,029</b>	<b>276,470</b>

<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 17.

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Payables and borrowings (continued)

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

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

Payables – overpayments, security bonds, deposits and retentions	1,351	1,134
	<u>1,351</u>	<u>1,134</u>

**(c) Changes in liabilities arising from financing activities**

Class of borrowings	Opening balance as at 1/7/17	Cash flows	Non-cash changes			Closing balance as at 30/6/18
			Acquisition	Fair value changes	Other non-cash movements	
Loans – secured	264,956	(19,520)	–	–	–	245,436
Loans – unsecured	29,846	(3,780)	–	–	–	26,066
<b>TOTAL</b>	<u>294,802</u>	<u>(23,300)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>271,502</u>

**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.

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	2,587	–	2,354	–
Sick leave	2,294	–	2,551	–
Long service leave	5,798	–	5,349	67
Other leave	212	–	55	–
<b>Sub-total – aggregate employee benefits</b>	<b>10,891</b>	<b>–</b>	<b>10,309</b>	<b>67</b>
<b>Other provisions:</b>				
Self insurance – workers compensation	405	1,493	599	1,534
Self insurance – public liability	–	–	10	–
Self insurance – other	47	–	3	–
Payroll tax	595	–	478	4
<b>Sub-total – other provisions</b>	<b>1,047</b>	<b>1,493</b>	<b>1,090</b>	<b>1,538</b>
<b>TOTAL PROVISIONS</b>	<b>11,938</b>	<b>1,493</b>	<b>11,399</b>	<b>1,605</b>

## (a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Internally restricted assets</b>				
Self insurance - workers' compensation	405	1,493	599	1,534
Provisions relating to internally restricted assets	405	1,493	599	1,534
<b>Total provisions relating to restricted assets</b>	<b>405</b>	<b>1,493</b>	<b>599</b>	<b>1,534</b>
<b>Total provisions relating to unrestricted assets</b>	<b>11,533</b>	<b>–</b>	<b>10,800</b>	<b>71</b>
<b>TOTAL PROVISIONS</b>	<b>11,938</b>	<b>1,493</b>	<b>11,399</b>	<b>1,605</b>

\$ '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	6,949	6,648
	<b>6,949</b>	<b>6,648</b>

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 12. Provisions (continued)

\$ '000

## (c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	2,354	2,551	5,416	–	55	10,376
Other	233	(257)	382	–	157	515
Total ELE provisions at end of year	2,587	2,294	5,798	–	212	10,891

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	2,480	3,049	6,172	–	45	11,746
Additional provisions	1,428	616	437	–	390	2,871
Amounts used (payments)	(1,554)	(1,114)	(1,193)	–	(380)	(4,241)
Total ELE provisions at end of year	2,354	2,551	5,416	–	55	10,376

2018	Other provisions			Total
	Other	Self-insurance	Asset remediation	
At beginning of year	482	2,146	–	2,628
<b>Changes to provision:</b>				
Additional provisions	113	10	–	123
Amounts used (payments)	–	(211)	–	(211)
Total other provisions at end of year	595	1,945	–	2,540

2017	Other provisions			Total
	Other	Self-insurance	Asset remediation	
At beginning of year	172	784	–	956
<b>Changes to provision:</b>				
Additional provisions	1,359	1,646	–	3,005
Amounts used (payments)	(1,049)	(284)	–	(1,333)
Total other provisions at end of year	482	2,146	–	2,628

## Central Coast Council Water Supply Authority

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

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##### **Nature and purpose of non-employee benefit provisions**

###### **Self-insurance**

To recognise liabilities for outstanding claims (uninsured losses) arising from Council's decision to undertake self-insurance for certain risks faced.

###### **Accounting policy for provisions**

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

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

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

##### **Employee benefits**

###### **Short-term obligations**

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

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

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

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

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

## Central Coast Council Water Supply Authority

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

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##### **Self-insurance**

Self Insurance Provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council being a self insurer for Workers Compensation Claims. Council also maintains cash and investments to meet expected future claims.

Public Liability and Professional Indemnity claims are expensed as they meet the recognition criteria set out in AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Specific uncertainties relating to the final costs and the assumptions made in determining Provisions for Self Insurance include:

- Claims escalation of 2.5% per annum and Bond Yields of between 1.750% and 3.409% per annum over a 12 year period.
- All monetary amounts for past Workers Compensation Claims were indexed to bring them to "standardised" values at June 2018.
- Workers Compensation Claim payments projected into the future by the adopted actuarial model are in "standardised" values as at June 2018.

The last actuarial assessment of Workers Compensation Claims was undertaken in July 2018 and was performed by David A Zaman Pty Ltd, Director David Zaman, BSc, FIA, FIAA, MBA.

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

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##### 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.

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	34,717	188
Less bank overdraft		–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>34,717</b>	<b>188</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>17,753</b>	<b>50,393</b>
Adjust for non-cash items:			
Depreciation and amortisation		73,853	84,384
Net losses/(gains) on disposal of assets		1,404	4,592
Non-cash capital grants and contributions		(9,450)	(15,118)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		26,007	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(5,588)	(1,430)
Increase/(decrease) in provision for doubtful debts		(28)	28
Decrease/(increase) in other assets		336	(336)
Increase/(decrease) in payables		3,159	(337)
Increase/(decrease) in accrued interest payable		312	(2,920)
Increase/(decrease) in other accrued expenses payable		19,896	(529)
Increase/(decrease) in other liabilities		(241)	(29,480)
Increase/(decrease) in employee leave entitlements		515	(1,370)
Increase/(decrease) in other provisions		(88)	1,672
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>127,840</b>	<b>89,549</b>
<b>(c) Non-cash investing and financing activities</b>			
Developer contributions 'in kind'		–	442
Other dedications		9,450	14,676
<b>Total non-cash investing and financing activities</b>		<b>9,450</b>	<b>15,118</b>



## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 15. 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>		
Plant and equipment	–	2,067
Other - Stormwater Management Infrastructure	3,245	654
	7,069	2,016
<b>Total commitments</b>	<b>10,314</b>	<b>4,737</b>
These expenditures are payable as follows:		
Within the next year	10,314	4,737
<b>Total payable</b>	<b>10,314</b>	<b>4,737</b>
Sources for funding of capital commitments:		
Unrestricted general funds	10,314	4,454
Section 7.11 and 64 funds/reserves	–	272
Externally restricted reserves	–	11
<b>Total sources of funding</b>	<b>10,314</b>	<b>4,737</b>

**Details of capital commitments**

Major projects include the replacement and construction of vacuum stations WS29 and WS30 at Tacoma \$0.7M, Audie Parade Berkeley Vale drainage \$0.2M, upgrade of wtare reservoir access \$0.1M and renewal of the sewage pumping station pump fleet \$0.1M. The remaining commitments are for various capital works across the Water and Sewer network.

**(b) Operating lease commitments (non-cancellable)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	4	36
Later than one year and not later than 5 years	16	39
<b>Total non-cancellable operating lease commitments</b>	<b>20</b>	<b>75</b>

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

Computer equipment - Desktop, monitor and laptop operating leases with Equigroup. A number of contracts exist and all are due to mature within the next five years.

Printers - Council maintains operating leases for multifunction printers with Viatek

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

**Conditions relating to operating leases:**

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

## Central Coast Council Water Supply Authority

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. Contingencies and other assets/liabilities not recognised

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##### Liabilities not recognised

##### 1. Defined benefit superannuation

Council, on behalf of CCCWSA is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a “multi-employer fund” for purposes of *AASB119 Employee Benefits*. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all councils.

Employer contributions paid to the defined benefit section of the Scheme during 2017-18 were recognised as an expense. The last valuation of the Scheme was performed by Mr Richard Boyfield FIAA of Mercer Consulting (Australia) on 12 December 2017, and covers the year ended 30 June 2017.

The position is monitored annually and the actuary has estimated that, as at 30 June 2018, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing this deficit.

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

##### 2. Developer contributions

CCCWSA levies Section 64 contributions upon various developments across the local government area through the required contributions plans.

As part of these plans, CCCWSA has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by CCCWSA, which will be funded by making levies and receipting funds in future years.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent the intention to spend funds in the manner and timing set out in those plans.

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 17. 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	34,717	188	34,717	188
Investments				
– 'Held to maturity'	147,651	115,314	147,651	115,314
Receivables	52,471	46,855	52,471	46,855
<b>Total financial assets</b>	<b>234,839</b>	<b>162,357</b>	<b>234,839</b>	<b>162,357</b>
<b>Financial liabilities</b>				
Payables	33,579	7,559	33,579	7,559
Loans/advances	271,502	294,802	330,508	369,766
<b>Total financial liabilities</b>	<b>305,081</b>	<b>302,361</b>	<b>364,087</b>	<b>377,325</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.

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 17. 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 has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2018</b>				
Possible impact of a 10% movement in market values	18,237	18,237	(18,237)	(18,237)
Possible impact of a 1% movement in interest rates	1,824	1,824	(1,824)	(1,824)
<b>13/5/16to 30/6/17</b>				
Possible impact of a 10% movement in market values	11,550	11,550	(11,550)	(11,550)
Possible impact of a 1% movement in interest rates	1,155	1,155	(1,155)	(1,155)

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 17. 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.

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)	0%	83%	0%	84%
Overdue	100%	17%	100%	16%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>			<b>2018</b>	<b>2017</b>
< 1 year overdue			9,187	14,214
1 – 2 years overdue			5,542	1,214
2 – 5 years overdue			2,481	694
> 5 years overdue			792	443
			<u>18,002</u>	<u>16,565</u>
<b>Other receivables</b>				
Current			28,612	25,542
0 – 30 days overdue			45	273
31 – 60 days overdue			571	1,183
61 – 90 days overdue			1,389	1,245
> 91 days overdue			3,852	2,075
			<u>34,469</u>	<u>30,318</u>

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 17. 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	-	2,698	30,881	-	-	33,579	33,579
Loans and advances	6.50%	-	49,824	172,016	184,324	406,164	271,502
<b>Total financial liabilities</b>		<b>2,698</b>	<b>80,705</b>	<b>172,016</b>	<b>184,324</b>	<b>439,743</b>	<b>305,081</b>
<b>2017</b>							
Trade/other payables	-	250	7,309	-	-	7,559	7,559
Loans and advances	6.50%	-	39,689	194,163	199,118	432,970	294,802
<b>Total financial liabilities</b>		<b>250</b>	<b>46,998</b>	<b>194,163</b>	<b>199,118</b>	<b>440,529</b>	<b>302,361</b>

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 28 June 2017 and is not required to be audited.

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

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

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

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

F = Favourable budget variation, U = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	117,861	121,097	3,236	3%	<b>F</b>
<b>User charges and fees</b>	66,592	74,242	7,650	11%	<b>F</b>
Income received from User Charges and Fees was greater than original budget estimates due to the volume of water sales being greater than forecast during 2017-18.					
<b>Interest and investment revenue</b>	2,832	5,256	2,424	86%	<b>F</b>
Income received from Interest on Investments during 2017-18 was greater than the original budget estimate due to the portfolio balance being higher throughout the year than originally anticipated.					
<b>Other revenues</b>	344	296	(48)	(14%)	<b>U</b>
The unfavourable Other Revenue variance is attributable to a minor variation in commercial rental income.					
<b>Operating grants and contributions</b>	3,363	3,179	(184)	(5%)	<b>U</b>
<b>Capital grants and contributions</b>	8,480	25,729	17,249	203%	<b>F</b>
The favourable income variance is due to \$1.7 million capital grant income not included in the original 2017-18 budget as Council had not received approval of all grant funded projects when the original budget was adopted. In addition income from Developer Contributions, levied under s. 64 of the Local Government Act 1993, ss. 7.11 and 7.12 of the Environment Planning and Assessment Act 1979 (formerly ss. 94 and 94A) was \$6.4 million over original budget estimates. Developer contributions are often difficult to predict as they are driven by external development.					

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	32,621	30,848	1,773	5%	F
<b>Borrowing costs</b>	18,889	19,980	(1,091)	(6%)	U
<b>Materials and contracts</b>	32,163	20,625	11,538	36%	F
Materials and Contracts were underspent due to the Water Supply Authority continuing to review, harmonise and improve service delivery across the Central Coast. Variations to original budget resulted in expenditure on consultants and internal expenditures such as plant and fleet.					
<b>Depreciation and amortisation</b>	71,623	73,853	(2,230)	(3%)	U
<b>Other expenses</b>	29,552	39,329	(9,777)	(33%)	U
Other expenses were underspent due to a reduction in the amount of corporate overheads charged to the Water Supply Authority in 2017-18, compared to budget.					
<b>Net losses from disposal of assets</b>	-	1,404	(1,404)	0%	U
The net loss on disposal relates to the retirement of some Stormwater Drainage assets during 2017-18.					
<b>Revaluation decrement / impairment of IPP&amp;E</b>	-	26,007	(26,007)	0%	U
Where the carrying value of a class of assets is reduced as the result of a revaluation, the decrement is offset against the asset revaluation reserve, with the balance recognised in the Income Statement. This was the first revaluation of Operational Land for Central Coast Council, therefore there was no asset revaluation reserve to offset the reduction against.					
<b>Budget variations relating to Council's Cash Flow Statement include:</b>					
<b>Cash flows from operating activities</b>	114,223	127,840	13,617	11.9%	F
The favourable cash flow variance is due to additional income from water usage and interest on investments.					
<b>Cash flows from investing activities</b>	(6,394)	(70,011)	(63,617)	994.9%	U
The additional funds generated from operational activities has been invested in term deposits, in accordance with Council's Investment Policy, to maximise interest income until the funds are needed to complete capital works. This resulted in additional amounts invested in term deposits above budget.					
<b>Cash flows from financing activities</b>	(23,300)	(23,300)	-	0.0%	F



## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

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	13/05/16	–	–	63	63
Office equipment	13/05/16	–	–	30	30
Furniture and fittings	13/05/16	–	–	138	138
Operational land	30/06/18	–	–	70,706	70,706
Community land	13/05/16	–	–	7,351	7,351
Buildings - specialised	13/05/16	–	–	28,764	28,764
Other structures	13/05/16	–	–	1,281	1,281
Roads	13/05/16	–	–	23	23
Bulk earthworks (non depreciable)	13/05/16	–	–	16	16
Stormwater drainage	13/05/16	–	–	1,011,425	1,011,425
Water supply network	13/05/16	–	–	1,032,515	1,032,515
Sewerage network	13/05/16	–	–	1,403,635	1,403,635
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>3,555,947</b>	<b>3,555,947</b>

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. 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>Infrastructure, property, plant and equipment</b>					
Plant and equipment	12/05/16	–	–	3,371	3,371
Office equipment	12/05/16	–	–	51	51
Furniture and fittings	12/05/16	–	–	156	156
Operational land	12/05/16	–	–	79,346	79,346
Community land	12/05/16	–	–	22,682	22,682
Buildings - specialised	12/05/16	–	–	24,517	24,517
Other structures	12/05/16	–	–	1,199	1,199
Roads	12/05/16	–	–	24	24
Bulk earthworks (non depreciable)	12/05/16	–	–	16	16
Stormwater drainage	12/05/16	–	–	1,002,416	1,002,416
Water supply network	12/05/16	–	–	1,034,090	1,034,090
Sewerage network	12/05/16	–	–	1,389,919	1,389,919
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>3,557,787</b>	<b>3,557,787</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.

## Central Coast Council Water Supply Authority

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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##### 3) Valuation techniques used to derive Level 3 fair values

Where Central Coast Council Water Supply Authority (CCCWSA) is unable to derive fair valuations using quoted market prices of identical assets (ie. Level 1 inputs), or observable inputs (Level 2 inputs), it utilises unobservable inputs (Level 3 inputs).

The fair valuation techniques CCCWSA has employed while utilising Level 3 inputs are as follows:

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

##### Plant and equipment, office equipment and furniture and fittings

Plant and equipment, office equipment and furniture and fittings assets are recognised and valued at cost. CCCWSA assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. Therefore these assets are disclosed at fair value in the notes.

These asset categories include:

- plant and equipment
  - Major plant items – tractors, excavators, street sweepers, tippers, rollers, forklifts, backhoes, beach cleaners
  - Minor plant items – generators, mowers, weed harvester, trailers, chainsaws, wood chippers, power hand tools
  - Fleet vehicles – trucks, commercial vehicles and passenger vehicles
- office equipment – computer hardware, communications equipment, digital cameras, photocopiers
- furniture and fittings – work stations, storage cabinets, CCTV, air conditioning units.

The unobservable level 3 inputs used include:

- pattern of consumption
- useful life
- residual value.

CCCWSA reviews the value of these assets based on the gross replacement cost of similar assets.

There has been no change to the valuation process during the reporting period.

##### Operational land

This asset class is comprised of all CCCWSA's land classified as operational land under the Local Government Act 1993. CCCWSA's accounting policy will be to value the freehold land on a market value basis.

CCCWSA engaged Scott Fullarton Valuation Pty Ltd to value operational land in 2018. CCCWSA's operational land was valued at market value (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses. Asset condition is also considered when determining the fair value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

##### Community land

Community Land assets are comprised of CCCWSA owned land classified as Community Land under the Local Government Act 1993 and land under the care and management of CCCWSA on behalf of the Crown.

## Central Coast Council Water Supply Authority

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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CCCWSA accounting policy is to value Community Land based on the unimproved land values provided by the Valuer General or an average unit rate based on the land values for similar properties (land use, land size, shape and location) where the Valuer General has not provided a land value based on the highest and best use for the land.

This asset class is valued using unimproved land values provided by the Valuer General which is not considered to be an observable input based on market evidence and therefore contains Level 3 unobservable inputs.

There has been no change to the valuation process during the reporting period.

#### **Buildings – specialised**

It is CCCWSA's accounting policy to value buildings for which a market exists using the best estimate of the price reasonably obtainable in the market at the date of valuation. Where there is no depth in market the buildings will be determined on the depreciated current replacement cost basis.

The valuation of buildings, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire alarms, sprinklers and firefighting equipment, and general lighting). The buildings and site improvements were physically inspected and measured. The building valuations incorporate a gross current value, net current value and residual value for each asset.

This asset class is categorised as Level 3 as some of the inputs used in the valuation of these assets require significant professional judgement and are unobservable.

CCCWSA engaged Scott Fullarton Valuation Pty Ltd to value all buildings in 2018. The approach estimated the replacement cost of each building and componentising of significant parts of specific buildings with different useful lives and taking into account CCCWSA's asset management practices.

Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other outputs (such as estimates of residual value, useful life, asset condition and componentisation including the split between short and long life components) required extensive professional judgment and impacted significantly on the final determination of fair value. As such, this asset class has been valued utilising Level 3 inputs.

#### **Other structures**

This asset class is comprised of fencing and structures which did not meet the definition of a building.

CCCWSA's accounting policy is to value other structures based on the technical knowledge and experience of engineers and asset management staff. Unobservable Level 3 inputs used include useful life, asset condition and pattern of consumption.

There has been no change to the valuation process during the reporting period.

#### **Stormwater drainage**

The Stormwater drainage asset class consists of CCCWSA's pits, pipes, detention basins, open drains, culverts, floodgates, wetlands, headwalls and gross pollutant traps.

The valuation of this asset class uses the cost assets approach. Replacement cost is assessed using the MEERA approach.

Significant inputs considered in the valuation of these assets are asset condition, remaining useful life and pattern of consumption.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

## Central Coast Council Water Supply Authority

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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There has been no change to the valuation process during the reporting period.

##### **Water supply network**

This asset class is comprised of water treatment plants, water pump stations, reservoirs, water mains, tunnels, dams, weirs and water meters.

The gross replacement cost approach has been utilised to value the water supply network. This approach estimates the gross replacement cost based on MEERA techniques and equipment that would result in recognising an asset to serve the same function as the existing asset, rather than replicate the existing asset. Assets have been componentised as per *AASB 116 Property, Plant and Equipment*.

Based on the technical nature of the assets, CCCWSA will engage technical experts as required.

Unobservable Level 3 inputs used include materials used in the construction of the asset, useful life, asset condition, unit rates and pattern of consumption.

Asset values have been indexed using the annual indexation rate from the Rates Reference Manual issued by the Crown Lands and Water (CLAW) to reflect changes the gross replacement cost of these infrastructure assets.

There has been no change to the valuation process during the reporting period.

##### **Sewerage network**

This asset class is comprised of sewer treatment plants, sewer pump stations, sewer vacuum systems and sewer mains.

The gross replacement cost approach has been utilised to value the sewerage network. This approach estimates the gross replacement cost based on MEERA techniques and equipment that would yield an asset to serve the same function as the existing asset, rather than replicate the existing asset. Assets have been componentised as per *AASB 116 Property, Plant and Equipment*.

Unobservable Level 3 inputs used include materials used in the construction of the asset, residual value, useful life, asset condition, unit rates and pattern of consumption.

Asset values have been indexed using the annual indexation rate from the Rates Reference Manual issued by the Crown Lands and Water (CLAW) to reflect changes the gross replacement cost of these infrastructure assets.

There have been no other changes to the valuation process during the reporting period.

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Total
<b>Opening balance – 13/5/16</b>	4,490	188	423	79,228	84,329
Transfers from/(to) another asset class	(238)	(21)	(31)	–	(290)
Purchases (GBV)	–	–	–	118	118
Disposals (WDV)	(155)	–	–	–	(155)
Depreciation and impairment	(720)	(66)	(19)	–	(805)
Amalgamation transfers	(6)	(50)	(217)	–	(273)
<b>Closing balance – 30/6/17</b>	<b>3,371</b>	<b>51</b>	<b>156</b>	<b>79,346</b>	<b>82,924</b>
Transfers from/(to) another asset class	(3,293)	–	–	17,367	14,074
Depreciation and impairment	(14)	(21)	(18)	–	(53)
Revaluation decrement	–	–	–	(26,007)	(26,007)
<b>Closing balance – 30/6/18</b>	<b>64</b>	<b>30</b>	<b>138</b>	<b>70,706</b>	<b>70,938</b>

	Community land	Buildings specialised	Other structures	Roads	Total
<b>Opening balance – 13/5/16</b>	22,682	25,010	1,254	25	48,971
Transfers from/(to) another asset class	–	–	(3)	–	(3)
Depreciation and impairment	–	(477)	(52)	(1)	(530)
Amalgamation transfers	–	(16)	–	–	(16)
<b>Closing balance – 30/6/17</b>	<b>22,682</b>	<b>24,517</b>	<b>1,199</b>	<b>24</b>	<b>48,422</b>
Transfers from/(to) another asset class	(15,338)	(128)	128	–	(15,338)
Purchases (GBV)	7	–	–	–	7
Depreciation and impairment	–	(333)	(46)	(1)	(380)
Revaluation increments to equity (ARR)	–	4,708	–	–	4,708
<b>Closing balance – 30/6/18</b>	<b>7,351</b>	<b>28,764</b>	<b>1,281</b>	<b>23</b>	<b>37,419</b>

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. Fair value measurement (continued)

\$ '000

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

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

	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Total
<b>Opening balance – 13/5/16</b>	16	1,007,233	1,045,835	1,387,243	3,440,327
Transfers from/(to) another asset class	–	6,539	429	21,790	28,758
Purchases (GBV)	–	9,187	2,273	3,181	14,641
Disposals (WDV)	–	(844)	–	(3,794)	(4,638)
Depreciation and impairment	–	(17,400)	(28,466)	(37,159)	(83,025)
Amalgamation transfers	–	(2,299)	(257)	(527)	(3,083)
Revaluation increments to equity (ARR)	–	–	14,276	19,185	33,461
<b>Closing balance – 30/6/17</b>	<b>16</b>	<b>1,002,416</b>	<b>1,034,090</b>	<b>1,389,919</b>	<b>3,426,441</b>
Transfers from/(to) another asset class	–	6,365	2,269	–	8,634
Purchases (GBV)	–	18,081	–	22,709	40,791
Disposals (WDV)	–	(207)	–	(1,196)	(1,403)
Depreciation and impairment	–	(15,230)	(25,120)	(33,070)	(73,420)
Revaluation increments to equity (ARR)	–	–	21,276	25,273	46,549
<b>Closing balance – 30/6/18</b>	<b>16</b>	<b>1,011,425</b>	<b>1,032,515</b>	<b>1,403,635</b>	<b>3,447,591</b>

## Central Coast Council Water Supply Authority

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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##### (5). Highest and best use

The following non-financial assets of CCCWSA are being utilised at other than their highest and best use:

##### **Community based assets**

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

Crown land under CCCWSA's care and control as well as CCCWSA-owned land that has been classified as community land under the provisions of the *Local Government Act 1993*.

Furthermore, CCCWSA has a number of buildings that are applied in delivering community services. The restrictions on the land and the community use of the buildings in delivering community based services is considered to be the 'highest and best use' of those assets to CCCWSA.



Central Coast Council Water Supply Authority

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

Note 20. 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. KMP include the following positions: Councillors, Chief Executive Officer, Directors, Executive Managers, Senior Managers and Unit Managers.

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

	2018	KMP	Councillors
<b>Compensation:</b>			
Short-term benefits	2,958	2,810	148
Post-employment benefits	-	-	-
Other long-term benefits	417	417	-
Termination benefits	85	85	-
<b>Total</b>	<b>3,460</b>	<b>3,312</b>	<b>148</b>

## Central Coast Council Water Supply Authority

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

## Note 20. Related party transactions (continued)

## b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction	Value of transactions during year	Outstanding balance	Terms and conditions	Provisions for doubtful debts	Doubtful debts expense recognised
<b>2018</b>					
Employee expenses relating to close family members of KMP	170,918	N/A	Local Government (State) Award 2017	N/A	N/A
	Ref 1				
Supply of apprentices and support services	96,768	WSA owes \$5,285	7 days	N/A	N/A
	2				

1 Close family members of Council's KMP are employed by the Council under the relevant pay award on an arms length basis.  
As at June 2018 there were 4 close family members of KMP employed by the Council.

2 The Council entered into a 3 year contract in 2016 with Central Coast Group Training Limited, a company which is controlled by a member of the KMP of the Council. The contract was awarded through a competitive tender process based on market rates for these services.  
Amounts are payable based on 7 days terms for the duration of the contract.

## Central Coast Council Water Supply Authority

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

## Note 21. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	3,045	413	-	135	(34)	-	3,559	-
Drainage Land	1,977	91	-	84	(21)	-	2,131	-
Drainage (non specific)	17,971	2,063	-	485	-	-	20,519	-
Storm Water/Flood Mitigation	1,028	432	-	52	(13)	-	1,499	-
<b>S7.11 contributions – under a plan</b>	<b>24,021</b>	<b>2,999</b>	<b>-</b>	<b>756</b>	<b>(68)</b>	<b>-</b>	<b>27,708</b>	<b>-</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>24,021</b>	<b>2,999</b>	<b>-</b>	<b>756</b>	<b>(68)</b>	<b>-</b>	<b>27,708</b>	<b>-</b>
S7.4 planning agreements	2,660	-	-	54	-	-	2,714	-
S64 contributions	43,043	11,216	-	1,998	(1,621)	-	54,636	-
<b>Total contributions</b>	<b>69,724</b>	<b>14,215</b>	<b>-</b>	<b>2,808</b>	<b>(1,689)</b>	<b>-</b>	<b>85,058</b>	<b>-</b>

Central Coast Council Water Supply Authority

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

Note 21. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 5 - WEST NARARA

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	487	66	-	22	(5)	-	570	-
Drainage Land	53	8	-	2	(1)	-	62	-
<b>Total</b>	<b>540</b>	<b>74</b>	<b>-</b>	<b>24</b>	<b>(6)</b>	<b>-</b>	<b>632</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 7 - NIAGARA PARK

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	147	-	-	6	(2)	-	151	-
<b>Total</b>	<b>147</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>(2)</b>	<b>-</b>	<b>151</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 8 - LISAROW

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	295	4	-	12	(3)	-	308	-
Drainage Land	484	8	-	20	(5)	-	507	-
<b>Total</b>	<b>779</b>	<b>12</b>	<b>-</b>	<b>32</b>	<b>(8)</b>	<b>-</b>	<b>815</b>	<b>-</b>

## Central Coast Council Water Supply Authority

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

## Note 21. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN NUMBER 16 - KINCUMBER

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	298	8	-	12	(3)	-	315	-
Drainage Land	2	1	-	-	-	-	3	-
<b>Total</b>	<b>300</b>	<b>9</b>	<b>-</b>	<b>12</b>	<b>(3)</b>	<b>-</b>	<b>318</b>	<b>-</b>

## CONTRIBUTION PLAN NUMBER 23 - SPRINGFIELD

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	22	-	-	1	-	-	23	-
Drainage Land	17	-	-	1	-	-	18	-
<b>Total</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>41</b>	<b>-</b>

## CONTRIBUTION PLAN NUMBER 31 - PENINSULA

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	1,560	110	-	67	(17)	-	1,720	-
Drainage Land	1,236	29	-	52	(13)	-	1,304	-
<b>Total</b>	<b>2,796</b>	<b>139</b>	<b>-</b>	<b>119</b>	<b>(30)</b>	<b>-</b>	<b>3,024</b>	<b>-</b>

Central Coast Council Water Supply Authority

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

Note 21. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	236	225	-	15	(4)	-	472	
Drainage Land	185	45	-	9	(2)	-	237	
<b>Total</b>	<b>421</b>	<b>270</b>	<b>-</b>	<b>24</b>	<b>(6)</b>	<b>-</b>	<b>709</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 47A - TERRIGAL

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					
Storm Water/Flood Mitigation	1,028	432	-	52	(13)	-	1,499	
<b>Total</b>	<b>1,028</b>	<b>432</b>	<b>-</b>	<b>52</b>	<b>(13)</b>	<b>-</b>	<b>1,499</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 1 - WYONG

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage (non specific)	1,969	43	-	41	-	-	2,053	
<b>Total</b>	<b>1,969</b>	<b>43</b>	<b>-</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>2,053</b>	<b>-</b>

Central Coast Council Water Supply Authority

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

Note 21. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 2 - SOUTHERN LAKES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative Internal borrowings due/(payable)
		Cash	Non-cash					
Drainage (non specific)	1,219	4	-	25	-	-	1,248	
<b>Total</b>	<b>1,219</b>	<b>4</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>1,248</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 3 - THE ENTRANCE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative Internal borrowings due/(payable)
		Cash	Non-cash					
Drainage (non specific)	5	-	-	-	-	-	5	
<b>Total</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 6 - TOUKLEY

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

Central Coast Council Water Supply Authority

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

Note 21. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative Internal borrowings due/(payable)
		Cash	Non-cash					
Drainage (non specific)	339	-	-	7	-	-	346	
<b>Total</b>	<b>339</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>346</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 17 - WARNERVALE DISTRICT

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative Internal borrowings due/(payable)
		Cash	Non-cash					
Drainage (non specific)	14,435	2,016	-	412	-	-	16,863	
<b>Total</b>	<b>14,435</b>	<b>2,016</b>	<b>-</b>	<b>412</b>	<b>-</b>	<b>-</b>	<b>16,863</b>	<b>-</b>



## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Financial result and financial position by fund

Income Statement by fund \$ '000	2017	2018	2018
	<b>Drainage</b>	<b>Water</b>	<b>Sewer</b>
<b>Continuing operations</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	17,624	23,966	79,316
User charges and fees	95	67,914	6,556
Interest and investment revenue	858	2,344	2,577
Other revenues	–	185	111
Grants and contributions provided for operating purposes	127	1,246	1,806
Grants and contributions provided for capital purposes	8,874	7,162	9,694
<b>Total income from continuing operations</b>	<b>27,579</b>	<b>102,817</b>	<b>100,059</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	1,752	16,255	12,842
Borrowing costs	571	15,344	4,588
Materials and contracts	7,613	20,004	22,961
Depreciation and amortisation	15,232	25,336	33,285
Other expenses	21	4,162	5,326
Net losses from the disposal of assets	207	–	1,196
Revaluation decrement / impairment of IPPE	13,036	2,966	10,004
<b>Total expenses from continuing operations</b>	<b>38,432</b>	<b>84,068</b>	<b>90,203</b>
<b>Operating result from continuing operations</b>	<b>(10,853)</b>	<b>18,749</b>	<b>9,856</b>
<b>Net operating result for the year</b>	<b>(10,853)</b>	<b>18,749</b>	<b>9,856</b>
<b>Net result attributable to each council fund</b>	<b>(10,853)</b>	<b>18,749</b>	<b>9,856</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(19,727)</b>	<b>11,587</b>	<b>162</b>

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

as at 30 June 2018

## Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
<b>ASSETS</b>	<b>Drainage</b>	<b>Water</b>	<b>Sewer</b>
<b>Current assets</b>			
Cash and cash equivalents	5,173	11,141	59,328
Investments	3,769	8,117	43,225
Receivables	2,157	43,627	16,467
<b>Total current assets</b>	<b>11,099</b>	<b>62,885</b>	<b>119,020</b>
<b>Non-current assets</b>			
Investments	20,318	24,675	6,622
Receivables	–	302	11,992
Infrastructure, property, plant and equipment	1,039,070	1,116,819	1,478,597
Intangible assets	1,703	–	–
<b>Total non-current assets</b>	<b>1,061,092</b>	<b>1,141,796</b>	<b>1,497,211</b>
<b>TOTAL ASSETS</b>	<b>1,072,190</b>	<b>1,204,681</b>	<b>1,616,231</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	35,185	5,871	3,079
Income received in advance	0	1,714	51
Borrowings	433	25,920	5,341
Provisions	984	5,226	5,728
<b>Total current liabilities</b>	<b>36,602</b>	<b>38,731</b>	<b>14,198</b>
<b>Non-current liabilities</b>			
Payables	–	1,746	653
Income received in advance	–	–	478
Borrowings	9,094	172,515	67,318
Provisions	–	528	965
<b>Total non-current liabilities</b>	<b>9,094</b>	<b>174,789</b>	<b>69,414</b>
<b>TOTAL LIABILITIES</b>	<b>45,697</b>	<b>213,520</b>	<b>83,612</b>
<b>Net assets</b>	<b>1,026,494</b>	<b>991,161</b>	<b>1,532,618</b>
<b>EQUITY</b>			
Accumulated surplus	1,039,530	957,229	1,494,803
Revaluation reserves	(13,036)	33,932	37,816
<b>Total equity</b>	<b>1,026,494</b>	<b>991,161</b>	<b>1,532,618</b>

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

as at 30 June 2018

## Note 22. Financial result and financial position by fund (continued)

\$ '000

Details of individual internal loans for the year ended 30 June 2018

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Council ID / Ref	Council ID / Ref	Council ID / Ref
Borrower (by purpose)	WaterFund	Water Fund	Water Fund
Lender (by purpose)	General Fund	Sewer Fund	General Fund
Date of minister's approval	N/A	27/05/2015	N/A
Date raised	30/06/2013	27/05/2015	31/05/2015
Term (years)	20	20	20
Dates of maturity	30/06/2033	21/02/2035	26/05/2035
Rate of interest	5.72	5.72	5.72
Amount originally raised	20,000,000	10,000,000	10,000,000
Total repaid during year (principal and interest)	694,996	315,302	310,552
<b>Principal outstanding at end of year</b>	<b>16,919,810</b>	<b>9,073,231</b>	<b>9,146,542</b>

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Amounts 2018	Indicator 2018	Prior periods 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>19,435</u>	9.52%	7.70%	1.08%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>204,070</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>200,891</u>	87.42%	84.06%	85.96%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>229,799</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>137,646</u>	2.03x	2.52x	0.76x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>67,898</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>113,268</u>	2.62x	2.83x	1.49x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>43,280</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>18,002</u>	12.98%	10.27%	14.31%	5.00%
Rates, annual and extra charges collectible	<u>138,638</u>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>174,082</u>	15.98 mths	7.6 mths	7.4 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>10,896</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

<sup>(3)</sup> Refer to Notes 11 and 12.

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

**END OF AUDITED FINANCIAL STATEMENTS**

Central Coast Council Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2018

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

<p><b>1. Operating performance ratio</b></p> <p>Benchmark: — Minimum <math>\geq 0.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<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 9.52%</b></p> <p>The positive ratio demonstrates the Water Supply Authority's (WSA) sound fiscal management and commitment to achieving financial sustainability.</p>
<p><b>2. Own source operating revenue ratio</b></p> <p>Benchmark: — Minimum <math>\geq 60.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<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 87.42%</b></p> <p>WSA's own source operating revenue is above the 60% benchmark and demonstrates fiscal flexibility if faced with unforeseen events.</p>
<p><b>3. Unrestricted current ratio</b></p> <p>Benchmark: — Minimum <math>\geq 1.50</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<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 2.03x</b></p> <p>WSA's unrestricted current ratio is designed to represent WSA's ability to meet short-term obligations as they fall due. Cash allocated to specific projects is restricted and cannot be used to WSA's other operatin and borrowing costs.</p>

Central Coast Council Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2018

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

<p><b>4. Debt service cover ratio</b></p> <p>Ratio (x)</p> <p>2017 2018</p> <p>Benchmark: ——— Minimum <math>\geq 2.00</math></p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<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 2.62x</b></p> <p>The WSA's debt service cover ratio is above the 2.0 benchmark confirming positive operating results and stable debt levels.</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>
<p><b>5. Rates, annual charges, interest and extra charges outstanding percentage</b></p> <p>Ratio %</p> <p>2017 2018</p> <p>Benchmark: ——— Maximum <math>&lt; 5.00\%</math></p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<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 12.98%</b></p> <p>The WSA will continue to implement socially responsible debt management strategies to reduce long term outstanding debts to bring this ratio below the 5% benchmark.</p> <p>Ratio is within Benchmark Ratio is outside Benchmark</p>
<p><b>6. Cash expense cover ratio</b></p> <p>Ratio (mths)</p> <p>2017 2018</p> <p>Benchmark: ——— Minimum <math>\geq 3.00</math></p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<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 15.98 mths</b></p> <p>The WSA's cash expense cover ratio exceeds the 3.0 benchmark and reflects sound cash management.</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>

## Central Coast Council Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 24. Council information and contact details

**Principal place of business:**

2 Hely Street, Wyong NSW 2259

49 Mann Street, Gosford 2250

**Contact details****Mailing address:**

PO Box 20, Wyong, NSW, 2259

PO Box 21, Gosford, NSW 2250

**Opening hours:**

8.30am - 5.00pm

Monday to Friday

**Telephone:** 02 4350 5555 (Wyong Office)  
02 4325 8222 (Gosford Office)**Internet:** [www.centralcoast.nsw.gov.au](http://www.centralcoast.nsw.gov.au)**Email:** [ask@centralcoast.nsw.gov.au](mailto:ask@centralcoast.nsw.gov.au)**Officers****GENERAL MANAGER**

Gary Murphy

**RESPONSIBLE ACCOUNTING OFFICER**

Vivienne Louie

**PUBLIC OFFICER**

Shane Sullivan

**AUDITORS**

Audit Office of NSW

Level 15

1 Margaret Street

Sydney NSW 2000

**Other information****ABN:** 73 149 644 003**Elected members****MAYOR**

Jane Smith (Gosford East Ward)

**COUNCILLORS**

Chris Holstein - Deputy Mayor (Gosford West Ward)

Greg Best (Budgewoi Ward)

Jillian Hogan (Budgewoi Ward)

Doug Vincent (Budgewoi Ward)

Rebecca Gale Collins (Gosford East Ward)

Jeff Sundstrom (Gosford East Ward)

Troy Marquart (Gosford West Ward)

Richard Mehrtens (Gosford West Ward)

Lisa Matthews (The Entrance Ward)

Bruce McLachlan (The Entrance Ward)

Jilly Pilon (The Entrance Ward)

Chris Burke (Wyong Ward)

Louise Greenaway (Wyong Ward)

Kyle MacGregor (Wyong Ward)