



City of Cockburn  
Audit & Strategic Finance Committee  
**Agenda Paper**

For Thursday, 16 November 2017

## CITY OF COCKBURN

### SUMMARY OF AGENDA TO BE PRESENTED TO THE AUDIT & STRATEGIC FINANCE COMMITTEE MEETING TO BE HELD ON THURSDAY, 16 NOVEMBER 2017 AT 6:00 PM

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## CITY OF COCKBURN

### AGENDA TO BE PRESENTED TO THE ORDINARY AUDIT & STRATEGIC FINANCE COMMITTEE TO BE HELD ON THURSDAY, 16 NOVEMBER 2017 AT 6:00 PM

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1. **DECLARATION OF MEETING**
2. **APPOINTMENT OF PRESIDING MEMBER (IF REQUIRED)**
3. **DISCLAIMER (TO BE READ ALOUD BY PRESIDING MEMBER)**

Members of the public, who attend Council Meetings, should not act immediately on anything they hear at the Meetings, without first seeking clarification of Council's position. Persons are advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

4. **ACKNOWLEDGEMENT OF RECEIPT OF WRITTEN  
DECLARATIONS OF FINANCIAL INTERESTS AND CONFLICT  
OF INTEREST (BY PRESIDING MEMBER)**

5. **APOLOGIES & LEAVE OF ABSENCE**

6. **PUBLIC QUESTION TIME**

7. **CONFIRMATION OF MINUTES**

- 7.1 **MINUTES OF THE AUDIT & STRATEGIC FINANCE COMMITTEE  
MEETING - 20/7/2017**

#### **RECOMMENDATION**

That Committee confirms the Minutes of the Audit & Strategic Finance Committee Meeting held on Thursday, 20 July 2017 as a true and accurate record.



**8. DEPUTATIONS**

**9. PETITIONS**

**10. BUSINESS LEFT OVER FROM PREVIOUS MEETING (IF  
ADJOURNED)**

Nil

**11. DECLARATION BY MEMBERS WHO HAVE NOT GIVEN DUE  
CONSIDERATION TO MATTERS CONTAINED IN THE  
BUSINESS PAPER PRESENTED BEFORE THE MEETING**

## 12. COUNCIL MATTERS

### 12.1 RISK MANAGEMENT INFORMATION UPDATE

<b>Author(s)</b>	J Ngoroyemoto
<b>Attachments</b>	1. Draft Risk Management Framework <a href="#">↓</a> 2. High/Extreme Risks Quarterly Report <a href="#">↓</a>

#### RECOMMENDATION

That Council:

- (1) receive the risk management information report; and
- (2) endorse the proposed Risk Management Framework as shown in the attachment to the Agenda.

#### Background

The City's Risk Program, is committed to a culture of risk management, to ensuring that sound risk management practices and procedures are fully integrated into its strategic and operational processes and day to day business practices. The City is progressing in implementing the Risk Program, and this report provides an update on the key milestones achieved over the past 4 months since the last information report was submitted to the Audit Committee.

The purpose of this report is to provide an overview of the current and planned risk management activities by the City of Cockburn, incorporating the Status of the City Business Continuity Management Program.

#### Submission

N/A

#### Report

This Risk Report covers the months of August to November 2017 and outlines the risk and business continuity management activities undertaken during these months.

Risk Management Program;

#### Update on High and Extreme Risks

As at 31 October 2017, 25 Strategic Risks and 220 Operational risks currently sit on the City's Risk Registers.

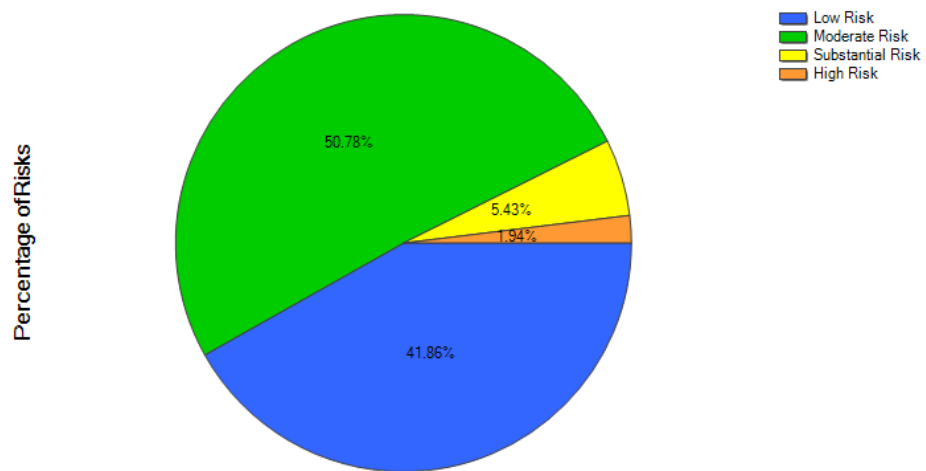
- Nil EXTREME risks
- 5 HIGH risks
- 16 SUBSTANTIAL risks
- 132 MODERATE risks
- 67 LOW risks

These risks are monitored and reviewed in priority of the risk rating level as per the City of Cockburn risk treatment levels. Updates on the identified HIGH/EXTREME are attached to the report.

Risk Profile

All of the City’s risk information is continuously reviewed by the risk owners in Risk Management & Safety System (RMSS). The distribution of risk ratings for both strategic and operational risks throughout the organisation is shown in the following risk matrix and pie chart. The pie chart demonstrates the overall image of the City’s risk categorised into Low, Moderate, Substantial, High and Extreme risks. The City is proactively managing its risks with no Extreme risks identified and only 1.94% rated as High. The distribution of the risk ratings is likely going to change as the City transitions through the risk maturity levels and continues to review all operational and strategic risks.

**Figure 1: Distribution of risk ratings as at 31 October 2017**



**Figure 2: Risk Matrix - This matrix maps out the distribution of risks within the City’s Risk Matrix.**

		Likelihood				
		1 Rare	2 Possible	3 Occasional	4 Likely	5 Almost Certain
Consequence	Minor 1 - 1	L	L	L	L	M
	Disruptive 2 - 2	12 Risk(s)	61 Risk(s)	58 Risk(s)	25 Risk(s)	4 Risk(s)
	Serious 3 - 3	4 Risk(s)	17 Risk(s)	20 Risk(s)	5 Risk(s)	1 Risk(s)
	Critical 4 - 4	L	12 Risk(s)	6 Risk(s)	1 Risk(s)	E
	Catastrophic 5 - 5	M	1 Risk(s)	3 Risk(s)	E	E

E	Extreme	Significant impact making it unlikely for the organisation to achieve its objectives. Capability of the organisation Risk Treatment: Eliminated. Requires treatment to eliminate risk. Formal assessment and action plan prepared.
H	High	Significant impact making it difficult for organisation to achieve objectives. Will diminish capability of organisation. Risk Treatment: mitigate. Risk requires treatment to mitigate impact. Formal assessment and action plan prepared.
S	Substantial	Will Impact on the ability of organisation to achieve objectives or will diminish capability. Risk Treatment: Accepted with detailed review and assessment. Action Plan prepared.
M	Moderate	May Impact on the ability of organisation to achieve objectives or may diminish capability. Risk Treatment: Accepted with review.
L	Low	Little or no impact on the achievement of objectives or capability Risk Treatment: Accepted without detailed review.

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### Management Control Reviews

The City has undertaken its annual control review audits, whereby random risks are selected from each directorate and all controls associated with these risks are scrutinised, tested and verified to confirm the effectiveness of the controls in place to controlling the risk. The controls reports and results for each directorate were presented to the November Directors meeting.

The results of the control reviews provided confidence to the Executive Team, that key risks have adequate controls in place and that these controls are adequate. These validates that the Administration has instructive and practical mitigation strategies, and monitors the status and the validity of all existing controls.

#### Risk Management Framework

Council at its Delegated Authorities, Policies and Position Statements Committee of 24 August 2017 adopted the Risk Management Policy SC51. As part of this process, the guidelines that were originally part of the risk management policy were removed from the policy. This report seeks to formalise these guidelines into a framework document that supports the Risk Management Policy.

The proposed Risk Management Framework (the framework) provides a structure and guidance to Council's risk management activities and outlines the components that provide the foundations and organisational arrangements for designing, implementing, monitoring and reviewing risk management throughout Council's operations. The framework highlights the role played by all Council departments in risk management and reinforces the importance of a risk focussed approach to management of Council's activities. The Framework will be reviewed on a biennial basis, but will also make incremental changes, modifications, and adjustments as conditions warrant. This framework document goes through continuous ongoing changes based on the risk maturity level of the City of Cockburn.

The framework incorporates the following aspects:

- Includes explicit links to Council's planning process
- Aligns with AS/NZS 31000:2009 by including the application of the risk management principles, and incorporating emerging risk and project risk.
- Includes a risk management action plan

The proposed framework was reviewed by the Project Portfolio Management - Project Team, Risk Review Group, the Executive Team, and is presented, and supported for formal consideration and adoption.

#### The City's Business Continuity Management Program

The Administration has formalised a Crisis Management Plan to address the operational gaps identified during the Business Continuity Plan test exercise in relation to effective communications, clear roles and responsibilities, and good information management. This establishes the response procedures, that provide guidelines for the management of the immediate actions and operations required to respond to incidents. The overall objective is to respond to crisis conditions and manage the process of restoring the City critical

services, encompassing the facilities, services and administration of the City.

In addition, a comprehensive location based Business Continuity Management Program is to be developed and implemented. This will be applied for relevant critical scenarios affecting the regular delivery of Council critical functions, which incorporates the vital and necessary components of the City's current and future business environment.

#### Insights and moving forward:

As the City continues to implement and embed risk management through its Risk Program, it will continue to focus on the following key areas and current initiatives:

- I. A review the City's risk registers, by conducting annual risk controls reviews. The main objective of the control reviews is to ensure that City of Cockburn can not only identify its risks, but also have confidence that key risks have adequate controls in place and that these controls are adequate. A fully functioning and transparent risk management program ensures that Council is aware of its risks, and will have the means to develop instructive and practical mitigation strategies, and monitor the status and the validity of all existing controls
- II. Development of Location Based Business Continuity Plans during 2017-18 and 2018-19 Financial Year (Business Impact Analysis, Identify Response Options, Develop Response Plans, Train Exercise & Maintain).
- III. Continue working with all business units to implement robust processes for embedding risk management and provision of risk management training for officers to improve the City's risk culture and commitment, and development of a risk management training program.

### **Strategic Plans/Policy Implications**

#### Leading & Listening

Deliver sustainable governance through transparent and robust policy and processes

### **Budget/Financial Implications**

Planned initiatives contained within the proposed Framework are funded from departmental operating budgets. With the exception of the development and implementation of location based business continuity Plans for all City buildings and facilities, which will require funding to be

resourced and included in the budget 2017-2018 budget of approximately \$60,000.

**Legal Implications**

N/A

**Community Consultation**

Regulation 17, of the Local Government (Audit) Regulations 2013 refers.

**Risk Management Implications**

Failure to adopt the recommendations will result in inability to support an integrated and effective approach to risk management, and lack of guidance on the arrangements for designing, implementing, monitoring and continually improving risk management process.

**Advice to Proponent(s)/Submissioners**

N/A

**Implications of Section 3.18(3) *Local Government Act, 1995***

Nil



# RISK MANAGEMENT FRAMEWORK

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## Document Control

Document Record			
Document title	Risk Management Framework		
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ECM document number	6788740		
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Review and approval			
Maintained by	Governance & Risk Management Coordinator		
Version number	2	Version date	October 2017
Reviewed by	Risk Review Group	Date reviewed	26 October 2017
Approved by	Chief Executive Officer	Date approved	
Frequency of review	Biennially	Next review date	
NOTE: The City of Cockburn will review this framework on a biennial basis, but will also make incremental changes, modifications, and adjustments as conditions warrant. This framework document goes through continuous ongoing changes based on the risk maturity level of the City of Cockburn.			
Record of changes / issues			
Version	Date	Comments / reasons for change	Made by
2			
Distribution			
Name	Position		
Executive and Management Team	Directors & Senior Managers		
Elected Members	Audit & Strategic Finance Committee Members		

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## INTRODUCTION

The management of risk is the responsibility of everyone and is an integral part of the City of Cockburn's (the City) culture, and is reflected in the various policies, protocols, systems and processes used to ensure efficient and effective service delivery.

The Risk Management Framework reflects good practice and sound corporate governance and is consistent with the risk management guidelines and principles of AS/NZS ISO 31000:2009 (the Standard).

Sound corporate governance requires integrated risk management processes and strategic planning, reporting and performance measurement. The key to successful integration is streamlining the approach to managing risk by ensuring that everyone uses common language and documents their risks using a consistent approach.

To effectively embed risk management throughout the City, all employees need to be aware of their responsibilities in relation to identifying, managing, communicating and elevating risk.

The City's overall risk appetite is 'risk prudent'.

The City should accept the taking of controlled risks, the use of innovative approaches and the development of new opportunities to improve service delivery and achieve its objectives provided that the risks are properly identified, evaluated and managed to ensure that exposures are acceptable.

\_\_\_\_\_  
Stephen Cain  
Chief Executive Officer

Date \_\_\_\_\_

## 1. RISK MANAGEMENT FRAMEWORK OVERVIEW

### 1.1 Risk Management Policy

The City Risk Management Policy (SC51) documents the commitment and objectives regarding managing uncertainty that may impact the City's strategies, goals and objectives.

The purpose of this Framework is to provide details of the requirements and processes supporting the Council's Risk Management Policy.

The implementation of the Framework will:

- Ensure a consistent approach to the risk management process across Council;
- Establish a structured process for undertaking the risk management process to identify, assess and control/treat risks;
- Encourage the integration of risk management into the strategic and operational process across all Business Units of the Council.

This Risk Management Framework has been developed with input and review from the Risk Review Group, Executive Team, and Audit & Strategic Finance Committee and adopted by Council.

### 1.2 Benefits of Risk Management

The management of risk is an ongoing process that provides many benefits which include:

- Greater likelihood of achieving objectives
- Compliance with legislative requirements
- Improve stakeholder trust and confidence
- Encourages decisive leadership rather than management of crisis
- Better information for decision making
- Reduces unexpected and costly surprises
- Better results from projects and activities
- More effective and efficient allocation of resources
- Balancing opportunity and risk
- Enhanced accountability and corporate governance; and
- Assists in obtaining insurance cover.

### 1.3 Common Risk Definitions and Explanations

**Risk:**

- The effect of uncertainty on the achievement of set objectives. (AS/NZS ISO 31000:2009)

Note – an effect is a deviation from the expected – positive and/or negative.

- Risk is often expressed in terms of a combination of the consequences of an event and the associated likelihood.

**Risk Management:**

- Coordinated activities to direct and control an organisation with regard to risk. (AS/NZS ISO 31000:2009)

**Risk Framework:**

- Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation. (AS NZS ISO 31000:2009)

**Risk Assessment:**

This is the part of the risk management process that includes the following three components:

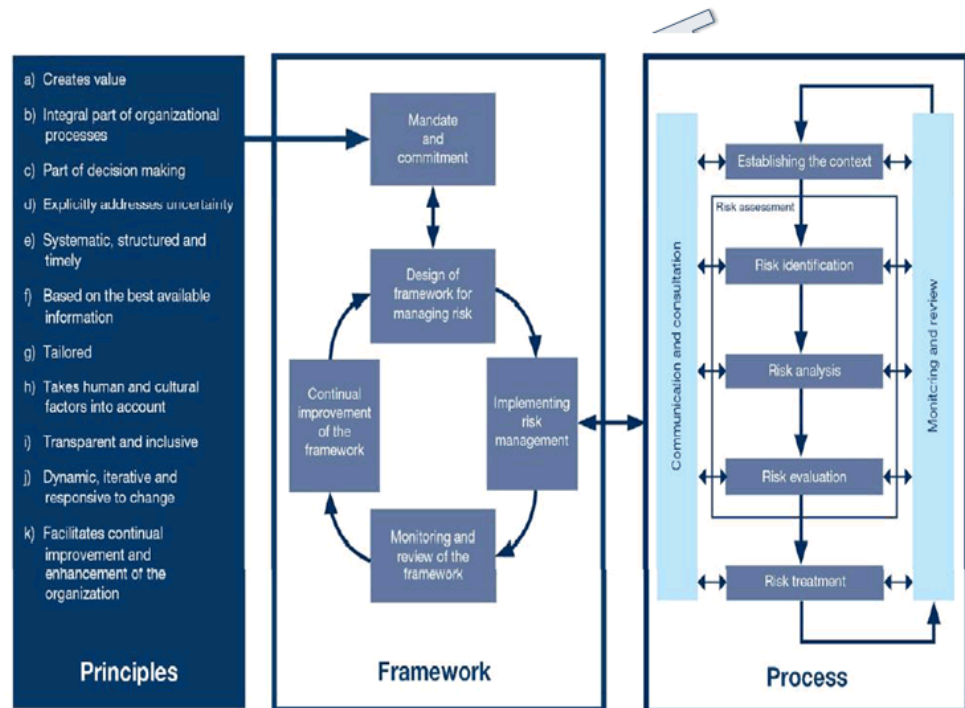
- Risk Identification – process of finding, recognising and describing risks;
- Risk Analysis – Involves developing an understanding of the risk including their causes and sources and the likelihood and consequences should the risk occur; and
- Risk Evaluation – Assists in making decisions about risk priorities and treatments following the risk analysis.

**Risk Monitoring and Review:**

- Involves continually reviewing the overall risk management process to ensure that controls are effective, new information is gathered, latest changes and trends are identified, successes and failures are recorded, lessons are learned, changes in internal and external context are detected and emerging risks are captured.

## 1.4 Risk Management Principles

Building an integrated and effective Risk Management Framework takes commitment and resources. All components of this document are based on AS/NZS ISO 31000:2009 Risk Management The risk management principles outlined in the Standard which guide the City's risk management approach are:



Our Framework is built around the elements identified as *risk culture, governance and accountability, resources and planning, process, and assurance*. A brief description of the five elements is outlined below:

**(a) Risk Culture:** Risk culture is a sub-set of the City's culture. The risk management behaviour of the people within Council can be described as 'the way things are done'.

**(b) Risk Governance and Accountability:** Governance and Accountability is the approach taken for making decisions about risk and developing, supporting, and embedding the risk framework.

**(c) Risk Management Resources and Planning:** Resources is the allocation of human and financial resources to oversee risk and planning. It is the thinking and organising of activities that are required to implement an integrated Risk Management Framework.



**(d) Risk Management Process:** Refers to the process around managing all risks, including strategic, operational and emerging risks. This involves identifying, assessing and monitoring risks through the City’s risk management system.

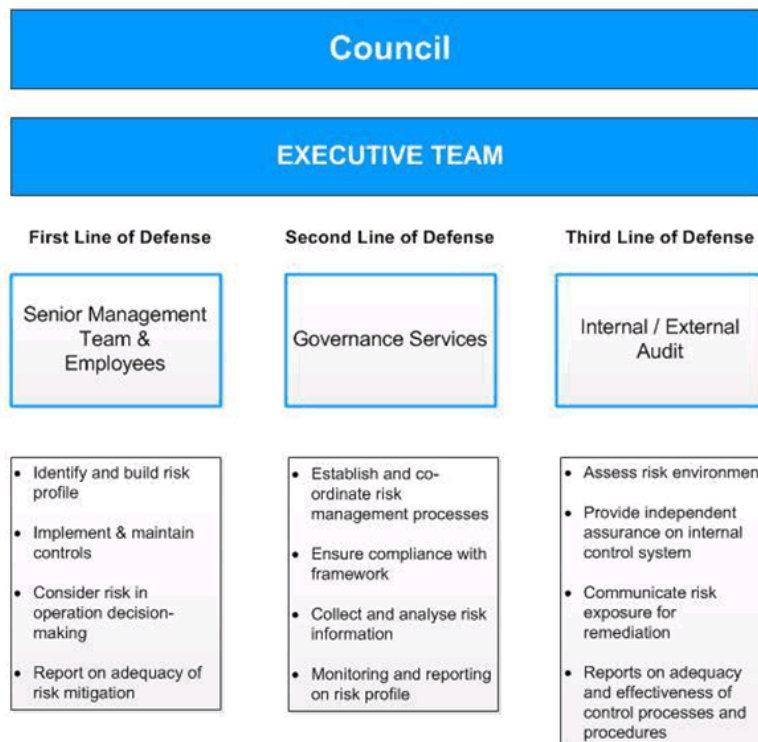
**(e) Risk Assurance:** Risk assurance is making sure the internal controls are adequately supporting the management of risk and compliance with regulations.

### 1.5 Risk Management Approach

The City has adopted the “Three Line of Defense” Assurance model for the management of risk. This model ensures roles; responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, the Council, Management and Community will have assurance that risks are managed effectively to support the delivery of the Strategic, Corporate and Operational plans.

The Following diagram depicts the **Three Lines of Defense Assurance Model**

**Three Lines of Defense Assurance Model**



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## 1.6 Legislative Requirements

Risk management is integral to good governance and good management. **Regulation 17**, of the *Local Government (Audit) Regulations 2013*, requires the Chief Executive Officer to undertake a review which assesses the appropriateness and effectiveness of the City's systems and procedures in relation to:

- risk management;
- internal controls; and
- legislative compliance

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## 2. RISK MANAGEMENT KEY ELEMENTS

The purpose of this section of the Risk Management Framework is to provide an overview of the Framework's five key elements and how they apply to Council.

### 2.1 Risk Culture

Our organisational culture is the behaviours, values and beliefs that are shared by the people within the organisation.

Risk culture is fundamental to supporting governance, stakeholder confidence, trust and compliance with relevant legal and regulatory requirements for improving the control environment, the operational effectiveness and efficiency and the identification of opportunities and threats.

The management of risk is the responsibility of all staff and this requirement is included in all position descriptions. Risk maturity assessments can be conducted which will inform us about our culture.

The City's values positively encourage a risk culture where understanding, managing and calculating a prudent level of risk is part of the everyday decision-making process. The elements that will contribute to a positive risk culture are:

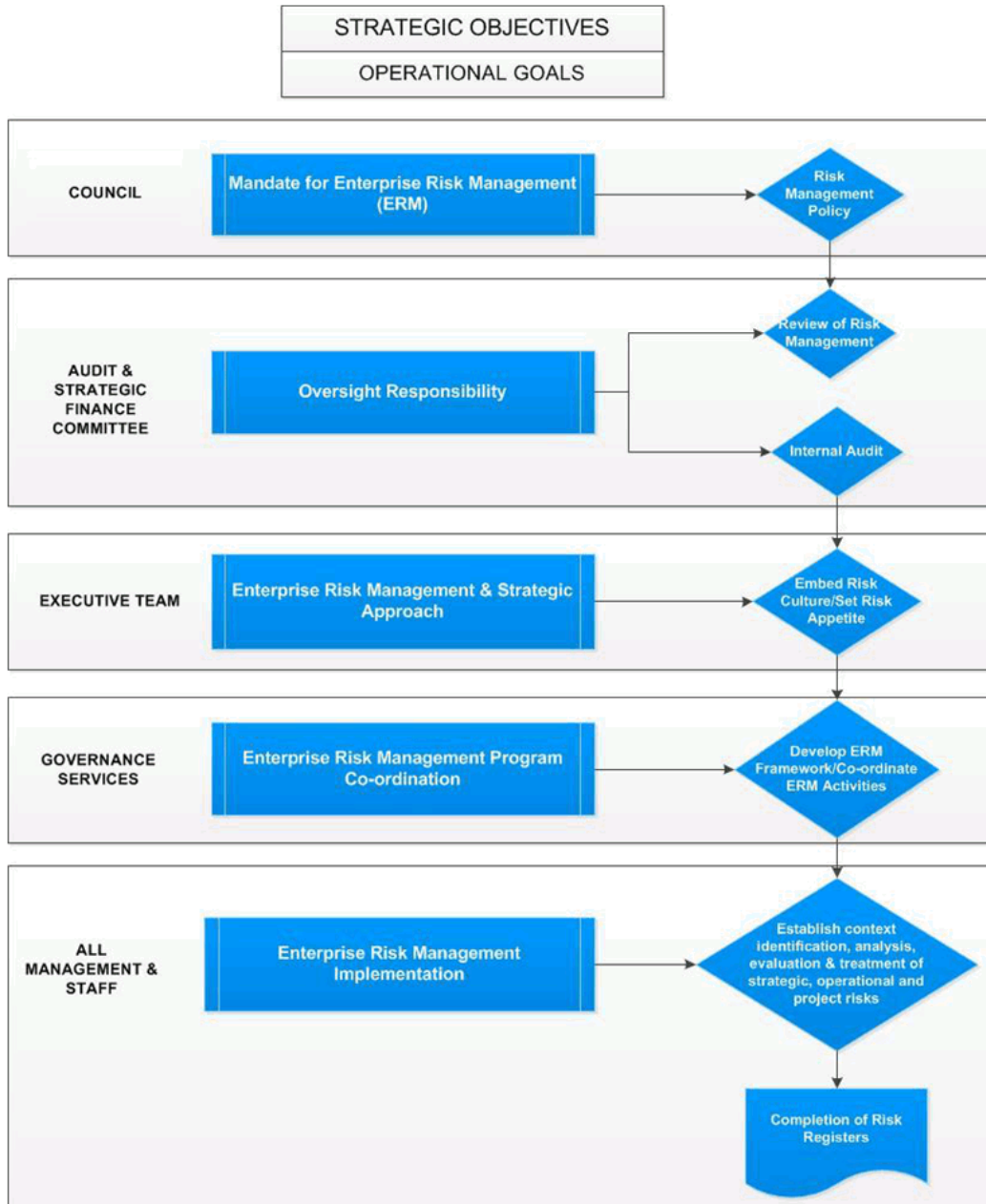
- leadership, which is articulated in the policy
- communicating the benefits of risk management
- Integrating risk management with other business processes and systems so the task of managing risk is not regarded as an additional burden.

Key risk performance indicators are measures which support our transparent approach to maturing risk management. The risk management performance indicators which we are working towards are provided as Appendix C.

## 2.2 Risk Governance and Accountability Structure

Our risk management accountability framework is aligned to our existing accountability requirements and summarised in Appendix D, outlining the roles and responsibilities in relation to risk management.

Our approach to enterprise risk management is aligned to our strategic and business planning frameworks.

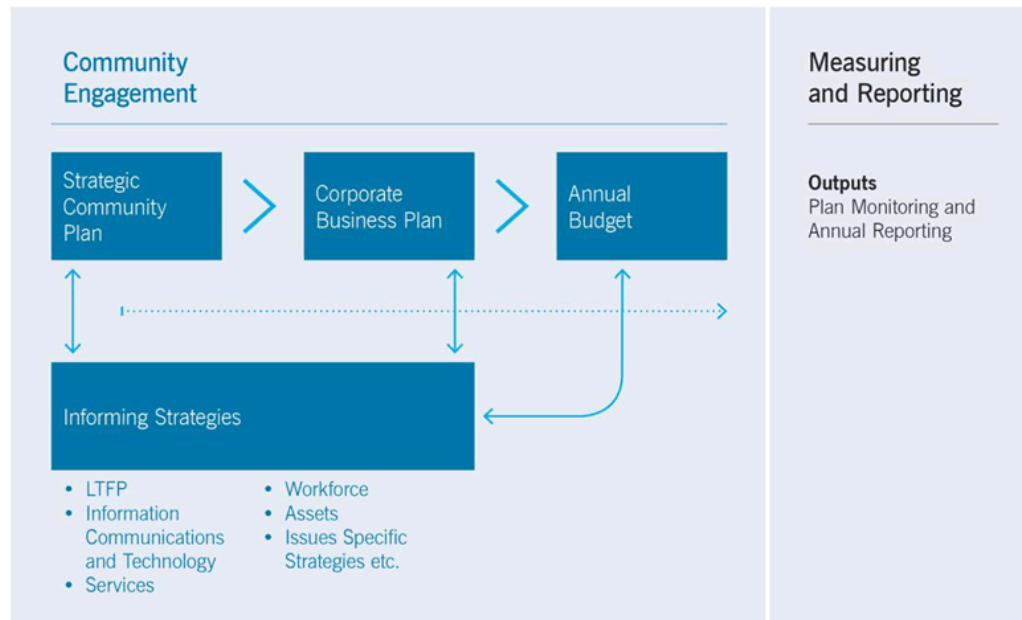


Strategic risks are overseen by the Executive and operational risks are identified and monitored as part of our annual business planning cycle. Our risk register is enabled by a licenced enterprise risk information system (Risk Management and Safety System). Our maturity and performance can be measured against our integrated risk management performance indicators.

### 2.3 Risk Management Resources and Planning

Risk management resources and planning are embedded within existing processes and operates on a number of levels. A summary of our integrated approach to resources and planning is outlined below depicting the components that make up the City's Integrated Planning and Reporting Framework:

Elements of Integrated Planning and Reporting Framework



The City's Integrated Planning and Reporting Framework (IPRF), as the primary source of guidance for the organisation, provides context to which the risk management process operates. The IPRF is designed to strengthen the linkages between community aspirations, financial capacity and practical service delivery.

The City's risk management approach is embedded into this planning process and assists in the delivery of community needs in a sustainable manner. This planning process operates on a cyclical basis and provides opportunities to undertake analysis of emerging, known or unknown risks that may impact on the purpose and objectives of the City.

The City is required to perform a biennial review of the IPRF elements. The review is designed to test and ratify the City's strategic direction,

based on community needs. This provides the mandate to ensure the City's risk approach is also reviewed, in line with the legislative requirements of risk management.

Responsibility for risk management is outlined in our Risk Management Accountability Structure (Refer to Appendix D). Risk management resources are embedded within all Departments across all functions.

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## 2.4 Risk Management Process

The City's risk management process is designed to ensure that risk management decisions are based on a robust approach, assessments are conducted in a structured and consistent manner, and common language is used and understood throughout the organisation. In line with the Standard, the elements of the City's risk management process are outlined below, with a brief description of each of the process articulated in the below table:

Process Step	Description	Purpose
<b>Communication and Consultation</b>	Involving stakeholders (internal and external) and information sharing throughout the risk management process, across the City.	<ul style="list-style-type: none"> <li>Context is appropriately defined;</li> <li>Staff that are involved throughout the risk process understand the basis for decisions and actions required; and</li> <li>Lessons learnt are shared and transferred to those who can benefit from them.</li> </ul>
<b>Establish Context (explained further in section 2.4.1)</b>	Understanding the City's objectives and defining the external and internal environment within which the City operates.	<ul style="list-style-type: none"> <li>Understand the critical success factors influencing the ability to achieve objectives; and</li> <li>Determine boundaries within which the Risk Management Framework operates using the City's Risk Assessment &amp; Acceptance Criteria (Appendix A).</li> </ul>
<b>Risk Identification</b>	Identifying risks, its sources, causes and potential consequences.	<ul style="list-style-type: none"> <li>Refer to the City's Risk Assessment &amp; Acceptance Criteria to ensure risks are assessed in a consistent manner; and</li> <li>Generate a comprehensive list of threats and opportunities based on the critical success factors that might enhance, prevent, degrade, accelerate or delay the achievement of set objectives.</li> </ul>
<b>Risk Analysis</b>	Comprehending the nature of the risk and determining the level of risk exposure (likelihood and consequence).	<ul style="list-style-type: none"> <li>Provide an understanding of the residual (level of exposure should controls fail) and controlled risk (level of exposure with controls in effect);</li> <li>Utilise the City's Measures of Existing Controls in identifying ineffective controls;</li> <li>Determine relevant consequence categories to rate the residual risk; and</li> <li>Combine the measures of consequence and likelihood to determine the level of risk.</li> </ul>
<b>Risk Evaluation</b>	Comparing the risk analysis with the risk criteria to determine whether the risk is acceptable or tolerable.	<ul style="list-style-type: none"> <li>Determine whether the controlled risk aligns with the City's risk appetite;</li> <li>Determine if controlled risks need further treatment; and</li> <li>Identify priority order in which these risks should be treated.</li> </ul>

Process Step	Description	Purpose
<b>Risk Treatment</b>	<ul style="list-style-type: none"> <li>Selecting one or more options for treating the risk.</li> <li>Reassessing the level of risks with controls and treatments in place (residual risk).</li> </ul>	<ul style="list-style-type: none"> <li>Identify treatments for risks that fall outside the City's risk appetite;</li> <li>Provide an understanding of the residual risk (level of risk with controls and treatments in place); and</li> <li>Identify priority order in which individual risks should be treated, monitored and reviewed in line with the City's risk assessment &amp; acceptance criteria.</li> </ul>
<b>Monitoring and Review</b>	<ul style="list-style-type: none"> <li>Determining whether the risk profile has changed and whether new risks have emerged.</li> <li>Checking control effectiveness and progress of the treatment plans.</li> </ul>	<ul style="list-style-type: none"> <li>Identifying emerging risks;</li> <li>Provide feedback on control effectiveness;</li> <li>Identify whether any further treatment is required;</li> <li>Provide a basis to reassess risk priorities;</li> <li>Capture lessons learnt from event failures, near - misses and success; and</li> <li>Monitor risk controls and actions through the City's Risk management Software (RMSS).</li> </ul>

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### 2.4.1 Establishing the Risk Management Context

To ensure adequate alignment and consistency of risk management practices throughout the City, the below provides the context for which risks are defined, identified and managed.

Plans	Risk Definitions	Accountability
<p><b>Strategic Community Plan</b>                      The Strategic Community Plan articulates the long term strategic direction and guides the City's planning process. It outlines the communities' aspirations and vision as well as identifying the strategies that the City is intending to implement to achieve its objectives.</p> <p>The Strategic Community Plan describes the vision and strategic objectives of the elected Council.</p> <p>In determining the strategic risk profile the City will have to collect information, through environmental scanning, which is broad enough to include a range of trends, influences and time horizons</p> <p>They are usually identified through analysis of environmental factors, stakeholder expectations and strategy development and will likely have a material impact on the City's ability to achieve its mandate and strategic objectives.</p>	<p><b>Strategic Risks</b></p> <ul style="list-style-type: none"> <li>▪ Identified through analysis of both the Strategic Community Plan and Corporate Business Plan and what can impede the organisation from delivering on strategic objectives as well as reviewing past performance and risks to determine future challenges and new priorities.</li> <li>▪ Risks usually identified from the external environment, that affect the decisions made around organisational priorities, resource allocation, tolerance and acceptance of risk.</li> <li>▪ Strategic risks are the risks that will prevent Council from meeting the objectives outlined in the Strategic Community Plan.</li> <li>▪ They are the risks of most concern to the City of Cockburn and therefore require direct attention by Chief Executive Officer.</li> </ul>	<p>Executive Team</p>



Plans	Risk Definitions	Accountability
<p><b>Business Unit Operational Plans</b> Annual plans that identify the Unit's key accountabilities in implementing the City's strategic plan, key strategies and targets. Plans are developed through a process of environmental scanning and reviewing past performance and risks to determine upcoming challenges and new priorities</p>	<p><b>Operational Risks</b> Risks or opportunities that may affect achieving the objectives of the planned Business Unit outcomes of performance, identified through Business Unit Plans, Specific Purpose Plans, programs of change, or hazard assessments. These risks usually result from inadequate or failed internal processes, people and systems.  Operational risks are linked to the Business Plan objectives and take into consideration risks which will prevent Departments from delivering their annual business plans and ongoing services to the community.</p>	<p>Business Unit Managers</p>
<p><b>Program Plans</b> Plans for implementing business strategies, policies and initiatives, or large-scale change, to achieve a desired outcome and benefits of strategic importance.</p>	<p>Each Department is required to undertake a risk assessment in accordance with this Framework to determine the risks in meeting its delegated statutory obligations and stated objectives. This process is incorporated into the business planning process.</p>	<p>Service Unit Leader</p>
<p><b>Safety Management System</b> The City's systematic approach to managing safety, including organisational structures, accountabilities, policies and procedures. Officers (persons conducting a business or undertaking) are responsible for protecting workers and other persons against harm to health, safety and welfare through the elimination or minimisation of risks arising from work or from particular types of substances or plant</p>	<p>Operational risk predominantly relates to critical services and functional business processes that support the City's service delivery objectives. This risk type takes a horizontal perspective of risk across the City.  Safety risks can cause harm or adverse effects (to individuals as health effects or to the City as property or equipment losses).</p>	<p>All Staff</p>
<p><b>Project Plans</b> Formal, approved documents used to guide both project execution and project control.</p>	<p><b>Project Risks</b> Uncertain events or set of circumstances that, should they occur, will have an effect on the achievement of one or more project objectives.  Project and program risk refers to the risks unique to a specific project/program. The City regularly undertakes significant projects and programs, management of which should be consistent with the City's project management methodology.  Projects and programs should maintain a risk register(s) and regularly report the risks to the project/program sponsor/s or steering committee. Any significant risk that is strategic in nature should also be incorporated in the Operational risk register to ensure visibility across the enterprise.</p>	<p>Project Team/Manager</p>



Plans	Risk Definitions	Accountability
<p><b>Specific Risk Functions</b></p> <p><u>Fraud and corruption</u> - Refer to the Fraud and corruption prevention policy and guidelines.</p> <p><u>Business continuity management</u> -. Refer to the Crisis and <i>Business continuity framework</i>.</p> <p><u>Local Emergency Management Plans</u> Series of plans that identify hazards, risks and their mitigation, response to and recovery from emergency events. Detailed plans for response and recovery are linked to the District &amp; State Emergency Management Plans.</p>	<p>Fraud and corruption risk management is an important subset of the City's overall risk management framework. The City and constituent business areas are required to conduct a fraud risk assessment on a regular basis, in doing so; the assessment should be consistent with the process prescribed in the framework. Correspondingly, provision for fraud has been integrated into the City risk register to enhance fraud and corruption reporting.</p> <p>Some risk is unavoidable and it is not within the ability of the City to completely manage, e.g. natural disasters. A key strategic risk for the City and its business areas is the inability to remain operational and continue delivering Council services. In these instances, the only action that can be taken is the preparation of contingency plans for business continuity. Business continuity management is a key mitigating factor as it increases the department's resilience in, response to and recovery from events that may disrupt business services and operations</p> <p><b>Emergency Management Hazards/Risks &amp; Public Hazards</b> Risks and hazards which:</p> <ul style="list-style-type: none"> <li>• Would pose a threat to life, property or the environment.</li> <li>• Would require a large scale emergency response.</li> <li>• Would require support / action from the City.</li> <li>• Would require Recovery strategies to be adopted to return the community to normal.</li> </ul>	<p>All services units with support from other units and external agencies</p>

## 2.4.2. Treatment

For risks which fall outside of the City's risk appetite, determine treatment options that may improve existing controls and/or reduce consequence/likelihood to an acceptable level.

Risk treatments may involve actions such as avoid, share, transfer or reduce the risk. The treatment selection and implementation may be based on:

- Cost versus benefit;
- Ease of implementation; and
- Alignment to organisational values and objectives.

The purpose of risk treatment plans is to document how the chosen treatment options will be implemented. A comprehensive risk treatment plan should be prepared for all High and Extreme risks. The information provided in treatment plans should include:

- Risk ID, risk description, risk level
- The reasons for selection of treatment options, including expected benefits to be gained
- Those who are accountable for approving the plan and those responsible for implementing the plan (e.g. Risk owner);
- proposed actions;
- resource requirements including contingencies
- plan to monitor implemented controls;
- reporting requirements (e.g. Council action, Audit and Risk Committee action, Executive Management team action etc.); and
- timing and schedule.

## 2.4.3. Monitor & Review

The City will review all Risk Profiles in line with the Risk Assessment & Acceptance Criteria or if triggered by one of the following:

- changes to context;
- a treatment is implemented; and
- an incident occurs or due to audit/regulator findings.

The Governance & Risk Management Coordinator will monitor the status of risk treatment implementation and report on progress, if required.

The CEO and Executive will monitor significant risks and treatment implementation as part of their normal Directors agenda item with specific attention to be given to risks that meet any of the following criteria:

- Risks with a Level of Risk of High or Extreme;
- Risks with an Inadequate Existing Control Rating;

- Risks with a Consequence Rating of Catastrophic; and
- Risks with a Likelihood Rating of Almost Certain.

## 2.5. Risk Assurance

The risk management validation and assurance program operates on a number of levels from management reviews to internal and external reviews.

**Management Control reviews:** These annual reviews are initiated by management to inform and to provide another level of insight on the degree to which management and operational levels has a shared understanding of risk management.

This level of scrutiny completes an important aspect of a risk management system. That is to provide assurance that key risks are actively controlled and control mechanisms in place reduce the risk profile of the City

**Audit services:** The internal audit program is overseen by the Financial Services Department. The internal audit plan is developed with consideration to the strategic and operational business risk profile.

The internal audit program is designed as a rolling three year plan based on risk against which Internal Audit is to prepare audit reports for the Audit Committee's consideration. These audit reports are to also include, where applicable, management responses, accountabilities and timelines for corrective actions.

This plan shall detail the nature and timing of reports to be presented to the Audit Committee and to Council and will reflect the priorities and functions of the Audit Committee as detailed in their Charter.

**External reviews:** These reviews are conducted by an agency external to Council. Typically the agencies which currently conduct independent reviews are the Auditor General's Office and Ombudsman

**Risk Maturity review:** Governance services conduct a maturity assessment every 2 years, in line with the corporate planning cycle to measure and test staff's perception of Council's risk management culture. The results are reported to the Executive Team and where appropriate incorporated into an action plan.

### 2.5.1. Risk Tools

The risk register enables staff to document, manage, monitor, review and update strategic, operational, hazard or project risk information. Risk register reporting allows the City to monitor and review risks in

alignment with the Strategic Community Plan, Corporate Business Plan, Business Unit Plans, programs and other cascading plans.

Information from the risk management process is to be recorded, reported and monitored using the City's various risk register templates. The City has two ways to record risks as depicted below:

**RMSS risk register** – An online risk management tool, to assist the City in recording, monitoring and reporting operational and strategic risk information.

**Offline risk registers** – These are various risk register templates used for projects, programs, events and hazard assessments. This information is not kept within the RMSS system.

### 3. TRAINING AND EDUCATION

The City has clarified roles, responsibilities, accountabilities and delegations at all levels. The City's Risk Management Framework is to be embedded through a number of communication, training and support systems, including training.

To ensure that adequate risk management competency levels are achieved and maintained, the City provides regular training courses in the risk management process and its application in the City.

Specific risk management training sessions will be held on an annual basis, aimed at providing an overview of the Risk Management Framework. The training will be provided by the Governance & Risk Management Coordinator. Additional ad-hoc training will be provided as required.

This training is designed to increase the knowledge and awareness of staff and management in a number of risk management topics including:

- risk management principles and process;
- fraud and misconduct awareness;
- environmental management;
- events management; and
- Business Continuity and Crisis Management.

Instruments providing training on appropriate controls include job descriptions, inductions, policies, procedures, terms of reference, performance planning and review programs, contracts and delegations.

## APPENDIX A - RISK ASSESSMENT AND ACCEPTANCE CRITERIA

Measures of Consequence					
Risk Category	Insignificant(1)	Minor (2)	Moderate(3)	Critical (4)	Catastrophic (5)
Financial Impact	< \$50K or 5% of OP / little or no impact on asset	\$50K - \$250K or 10% of OP / minor loss or damage to asset	\$250K - \$1M or 25% of OP / major damage to asset	\$1M - \$5M or 25% of OP / significant loss of asset	>\$5M or 50% of OP / complete loss of asset
OHS/Health/Injury/Well-being	No injuries	First aid treatment	Medical treatment	Partial disablement or severe injury	Death or permanent disablement
Brand/Reputation	Low impact Low profile No complaint	Low impact Low profile Low media attention Possible complaint	Moderate impact Moderate media attention Public complaint	Damage to reputation. Public embarrassment High media attention Several public complaints Third party legal action	Irreversible damage to reputation. Very high level of public embarrassment. Very high media attention Many public complaints
Operations/Service Disruption	Little impact Business-as-usual < 5% variation against PI	Minor impact Easily dealt with Still business-as-usual / 5 - 10% variation against PI	Some objectives affected Can continue as business-as-usual with minor controls executed / 10 - 25% variation against PI	Some of the major objectives cannot be achieved Business can still deliver but not to expected level / 25 - 50% variation against PI	Most objectives cannot be achieved Business will not operate / > 50% variation against PI
Environmental Health	An insignificant environmental event that can be immediately corrected under the control of the City	A minor environmental event that can be corrected through system improvements within the City	A moderate environmental event that can be remediated but requires multiple stakeholder input	A significant environmental event where rehabilitation involves multiple stakeholders and various levels of the community and government	A severe environmental event requiring multiple stakeholders, all levels of the community and government to remediate.
Compliance	Minor breach of policy / process requiring some response with little impact on other criteria	Compliance Breach of policy / process requiring additional work or minimal damage control	Compliance Breach requiring investigation, mediation or restitution and breach of legislation or regulations	Compliance Breach involving external investigation or third party actions resulting in tangible loss or reputation damage to the City and breach of legislation or regulations	Compliance Breach involving regulatory investigation and / or third party actions resulting in tangible loss or significant reputation damage to the organization and breach of legislation or regulations



Risk Category	Insignificant(1)	Minor (2)	Major (3)	Critical (4)	Catastrophic (5)
Project	<p>Majority of milestones and objectives being achieved with minor variation to scope and/or quality reported. Minor impact absorbed through project.</p> <p>Or</p> <p>&lt; than 5% of Project Budget or &lt; than \$50k, whichever is lower</p> <p>Or</p> <p>&lt; than 5% of Project Timeline or &lt; than 30 days, whichever is lower</p>	<p>Minor impact on milestones and objectives being achieved with minor variation to scope and/or quality reported. Disruptive impact on project deliverables expected.</p> <p>Or</p> <p>Between 5% to 10% of Project Budget or between \$50k - \$250k, whichever is lower</p> <p>Or</p> <p>Between 5% to 10% of Project Timeline or between 30 – 60 days, whichever is lower</p>	<p>Major impact on milestones and objectives being achieved with minor variation to scope and/or quality reported. Serious impact on project deliverables expected.</p> <p>Or</p> <p>Between 10% to 25% of Project Budget or between \$250k - \$1m, whichever is lower</p> <p>Or</p> <p>Between 10% to 25% of Project Timeline or between 60 - 90 days, whichever is lower</p>	<p>Major impact on milestones and objectives being achieved with significant variation to scope and/or quality reported. Critical impact on project deliverables expected.</p> <p>Or</p> <p>Between 25% to 50% of Project Budget or between \$1m - \$5m, whichever is lower</p> <p>Or</p> <p>Between 25% to 50% of Project Timeline or between 90 - 120 days, whichever is lower</p>	<p>Catastrophic impact on milestones resulting in the failure to achieve one or more objectives of the project.</p> <p>Or</p> <p>&gt; than 50% of Project Budget or &gt; than \$5m, whichever is lower</p> <p>Or</p> <p>&gt; than 50% of Project Timeline or &gt; than 120 days, whichever is lower</p>

Measures of Likelihood						
Score	Likelihood	Probability / Frequency				
5	<b>Almost Certain</b>	Such events are expected to occur routinely during an operation /asset life/project.				
4	<b>Likely</b>	Such events may occur frequently during an operation /asset life/project.				
3	<b>Possible</b>	Such an event may occur more than twice during an operation /asset life/project.				
2	<b>Unlikely</b>	Possible that such an event may occur once during operation /asset life/project.				
1	<b>Rare</b>	Theoretically such an event is possible but not expected to occur during an operation /asset life/project.				

Risk Matrix						
	Consequence	Insignificant	Minor	Major	Critical	Catastrophic
Likelihood		1	2	3	4	5
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	Significant (10)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	Significant (12)	High (15)
Likely	4	Low (4)	Moderate (8)	Significant (12)	High (16)	Extreme (20)
Almost Certain	5	Moderate (5)	Significant (10)	High (15)	Extreme (20)	Extreme (25)

Risk Acceptance Criteria				
Risk Level	Code	Criteria	Treatment	Responsibility
LOW		Risk acceptable with adequate controls, managed by routine procedures. Subject to annual monitoring or continuous review throughout project lifecycle.	Management through routine operations/project, Risk Registers to be updated.	Service Unit Manager/Project Manager
MODERATE		Risk acceptable with adequate controls, managed by specific procedures. Subject to semi- annual monitoring or continuous review throughout project lifecycle.	Communication and awareness of increasing risk provided to SM, Risk Registers to be updated.	Senior Manager/Project Manager
SUBSTANTIAL		Accepted with detailed review and assessment. Action Plan prepared and continuous review.	Assess impact of competing Service Unit/Business Unit Projects. Potential redirect of Service Unit/Business Unit resources. Risk registers to be updated.	Director/Steering Committee
HIGH		Risk acceptable with effective controls, managed by senior management/executive. Subject to quarterly monitoring or continuous review throughout project lifecycle.	Escalate to CEO, report prepared for Audit & Strategic Finance Committee. Quarterly monitoring and review required. Risk Registers to be updated.	Executive/ Steering Committee/Project Sponsor
EXTREME		Risk only acceptable with effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring.	Escalate to CEO, report prepared for Audit & Strategic Finance Committee. Monthly monitoring and review required. Risk Registers to be updated.	CEO/Council/Project Sponsor



Existing Controls Ratings		
Rating	Foreseeable	Description
Effective	Doing more than what is reasonable under the circumstances	<ol style="list-style-type: none"> <li>1. Existing controls exceed current legislated, regulatory and compliance requirements, and surpass relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation</li> <li>2. Subject to continuous monitoring and regular testing</li> <li>3. Any control improvements that can be implemented have minimal impact on operations.</li> </ol>
Adequate	Doing what is reasonable under the circumstances	<ol style="list-style-type: none"> <li>1. Existing controls are in accordance with current legislated, regulatory and compliance requirements, and are aligned with relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation</li> <li>2. Subject to continuous monitoring and regular testing</li> <li>3. Control improvements may be implemented</li> </ol>
Inadequate	Not doing some or all things reasonable under the circumstances	<ol style="list-style-type: none"> <li>1. Existing controls do not provide confidence that they meet current legislated, regulatory and compliance requirements, and may not be aligned with relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation</li> <li>2. Controls not operating as intended and have not been reviewed or tested</li> <li>3. Existing Controls need to be improved</li> </ol>

## APPENDIX B – RISK MANAGEMENT ACTION PLAN

Action	Description	Responsibility	Timing
Strategic Risk Management Review	Strategic risk workshops with the key deliverable of a strategic risk register for the City, to identify high level key strategic risks associated with City of Cockburn's external environment, stakeholders, strategic direction and systemic organisational issues.	Executive Team (coordinated by Governance Services)	Every 4 years in conjunction with Community Strategic Plan review
Risk Maturity Review	Maturity review to measure and test Risk Management culture, and assess the appropriateness and effectiveness of the City's systems and procedures in relation to: <ul style="list-style-type: none"> <li>• risk management;</li> <li>• internal controls; and</li> <li>• legislative compliance</li> </ul>	Executive Team & All Managers (coordinated by Governance Services)	Biennially
Review Risk Management Policy	Review the currency and effectiveness of Council's Risk Management Policy	Council to adopt (review to be coordinated by Governance Services)	Biennially – presented to DAPPS
Review Risk Management Framework	Review the currency and effectiveness of Council's Risk Management Framework.	Council to adopt (review to be coordinated by Governance Services)	Biennially
Build robust contingency services to ensure the protection of Council assets and services	Annual test and review of Council Business Continuity & Crisis Management Program	Governance Services	Annually
Review Operational Risk Registers	Review risks and controls contained in Council's corporate risk register and identify new or emerging risks	All Managers (risk owners) to complete review (review to be facilitated by Governance Services)	Annually – presented to Audit & Strategic Finance Committee
Risk Controls Assurance Review	Targeted control review to rate and confirm the effectiveness for controls contained in the operational risk register.	Governance Services	Annually – presented to the November Directors Meeting
Include Risk Treatment Plans in Operational Plan	Ensure that actions required by Risk Treatment Plans (RTP) are incorporated into the Operational Plan	All Managers	Every year in conjunction with Operational Plan

Action	Description	Responsibility	Timing
			development/ review
Implement Risk Treatment Plans in operational decisions	Implement actions contained in risk treatment plans (RTP)	Risk Owners	As identified in the RTP
Risk assessments for projects/initiatives in accordance with the project methodology	Conduct risk assessments as required for new or altered activities, processes or events	Relevant Manager/ Risk Owner/ Project Manager/Team	Prior to deciding to proceed with new project/ initiative
Risk Status Report	Identify and review, by exception, any risk issues arising from the Quarterly risk register review and the current status of key risks (high & extreme), RTPs, incidents and other relevant issues	Executive Team (coordinated by Governance Services)	Quarterly report to the Audit and Strategic Finance Committee
Annual Report	Detail risk management activities undertaken during the previous year and any relevant risk management issues.	Governance Services	Annually
Operational Plan	Identify key risks that may impact on objectives as well as strategies and controls in place (or proposed) to manage those risks.	Managers/Risk Owners (overseen by Governance Services)	Annually
Staff Performance Review	Ensure risk management performance of managers is assessed on a regular basis	Manager, Human Resources	Annually
Communication	Ensure staff are aware of relevant risk management issues and have access to risk management tools	Governance Services	Ongoing

## APPENDIX C - RISK MANAGEMENT INDICATORS

Indicators	Measurement
<b>Culture</b>	
<ul style="list-style-type: none"> <li>• Management are committed to risk management.</li> <li>• Employees' contributions to risk management are valued.</li> <li>• Practices and values are linked to risk management.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk management included in Job descriptions</li> <li>• Risk management is linked to values and Code of Conduct.</li> <li>• Risk management is included in recognition and reward programs.</li> <li>• All staff is aware of organisation's approach to risk management and the risk management format has been documented.</li> </ul>
<b>Risk Governance &amp; Accountability</b>	
<ul style="list-style-type: none"> <li>• Risk governance is aligned to the organisations governance and accountability framework.</li> <li>• There is an endorsed risk management policy accessible to all staff.</li> <li>• Executive and Audit Committee regularly receive, consider and discuss risk management reports.</li> <li>• There is a process to support risk management attestation.</li> <li>• There is a robust process for ensuring legal and regulatory compliance requirements are met.</li> <li>• Roles and responsibilities for risk management are clearly defined at all levels of the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>• RMF documented, approved &amp; accessible to staff.</li> <li>• Risk reports distributed and reviewed.</li> <li>• Organisational wide approach to legal and regulatory compliance framework documented and accessible to staff.</li> <li>• Risk roles and responsibilities documented.</li> <li>• Risk meeting agendas and minutes recorded and maintained.</li> </ul>
<b>Resource &amp; Planning</b>	
<ul style="list-style-type: none"> <li>• There are human resources to support risk management system and processes.</li> <li>• Tools and templates are used to support risk management processes and assessments.</li> </ul>	<ul style="list-style-type: none"> <li>• Organisational wide risk policy</li> <li>• Risk management capabilities and training provided.</li> <li>• Risk management skills gap addressed.</li> <li>• Organisational wide risk tools and templates are used</li> <li>• Organisational wide risk management plans documented, approved and accessible to all staff.</li> <li>• Risk information system available and accessible to nominated staff.</li> <li>• User software training made available to nominated staff.</li> </ul>

Process	
<p>There are processes to ensure communication and consultation with internal and external stakeholder groups takes place during each activity of the risk management process</p> <ul style="list-style-type: none"> <li>• Risk appetite and tolerances has been agreed and is clearly understood</li> <li>• The external and internal context to be considered by staff is clearly defined.</li> <li>• A risk rating criteria is clearly defined and risks are consistently documented and the effectiveness of existing controls is used to determine the estimated level of risk.</li> <li>• Risks are consistently identified and by staff with the required knowledge and skills using an agree risk register format.</li> <li>• There is a process in place to respond to incidents, near misses, incidents, hazards and complaints.</li> <li>• Risks are assessed to determine tolerability &amp; priorities for risk treatment.</li> <li>• Treatment plans are prepared, implemented and monitored</li> </ul>	<ul style="list-style-type: none"> <li>• Risk management guidelines.</li> <li>• Organisation wide risk appetite and tolerance has been documented, approved and available to all staff.</li> <li>• Documented evidence of risk management forms part of the strategic and operational objectives that specifically takes into account risks which may impact the organisation.</li> <li>• A defined risk criterion is available and consistently applied.</li> <li>• The risk methodology is endorsed and available to all staff.</li> <li>• Risk has been linked to agreed categories which have been documented and reviewed.</li> <li>• System in place for near misses</li> <li>• Risk escalation processed established, clear and complied too.</li> <li>• Risk has been linked to agreed categories which have been documented and reviewed.</li> <li>• System in place for near misses Risk escalation processed established, clear and complied</li> </ul>
Assurance	
<ul style="list-style-type: none"> <li>• Control owners assigned, &amp; layered approach to risk controls</li> <li>• Control effectiveness considered within risk acceptance decision Alignment with audit and assurance programs / activities. The internal validation and assurance activities are aligned to the risk profile.</li> </ul>	<ul style="list-style-type: none"> <li>• There is a clear, documented link between the validation and assurance program</li> <li>• The validation and assurance Program incorporates data analytics such as dashboard reporting, measurements against targets</li> <li>• Assurance mapping</li> </ul>



## APPENDIX D - RISK MANAGEMENT ACCOUNTABILITY STRUCTURE

Role	Responsibilities
Council	<p>Council's responsibilities are to:</p> <ul style="list-style-type: none"> <li>• Adopt a Risk Management Policy that complies with the requirements of AS/NZS ISO 31000:2009 and to review and amend the Policy in a timely manner and/or as required.</li> <li>• Adopt the Risk Management Framework for the Council.</li> <li>• Be satisfied that risks are identified, managed &amp; controlled appropriately to achieve Council's Strategic Objectives.</li> <li>• Appoint and resource the Audit &amp; Strategic Finance Committee.</li> <li>• Provide adequate budgetary provision for the financing of risk management including approved risk mitigation activities.</li> <li>• Review Council's risk appetite.</li> </ul>
Audit & Strategic Finance Committee	<p>On behalf of Council, the purpose of Audit Committee is to oversee that Council carries out its responsibilities for accountable financial management, good corporate governance, fostering an ethical environment and maintains a system of internal control and risk management. They have been constituted to monitor and report on the systems and activities of Council in ensuring:</p> <ul style="list-style-type: none"> <li>• Reliable financial reporting and management information.</li> <li>• High standards of corporate governance.</li> <li>• Appropriate application of accounting policies.</li> <li>• Compliance with applicable laws and regulations.</li> <li>• Effective monitoring and control of all identified risks.</li> <li>• Effective and efficient internal and external audit functions.</li> <li>• Measures to provide early warning of any issues affecting the organisation's financial well-being.</li> <li>• The level and effectiveness of appropriate Crisis Management, Business Continuity and Disaster Recovery planning.</li> <li>• Maintenance and fostering an ethical environment.</li> </ul>
Chief Executive Officer	<ul style="list-style-type: none"> <li>• The Chief Executive Officer is accountable for the implementation and maintenance of risk management policies and processes across the organisation.</li> <li>• The CEO is responsible for ensuring that strategic risks are regularly reviewed.</li> <li>• The Chief Executive Officer is responsible for raising awareness and leading the culture of managing risk responsibly across the organisation.</li> </ul>
Executive Team	<p>Promote and champion a strong risk management culture by linking and embedding risk management, and maintaining organisational risk focus across Council</p> <ul style="list-style-type: none"> <li>• Manage and monitor the strategic risks.</li> <li>• Ensure that an effective risk control environment is implemented and maintained.</li> <li>• Ensure that risks are considered and integrated into corporate and business planning processes.</li> <li>• Participate in the review and updating of the organisation's strategic risk profiles.</li> <li>• Ensure that accountabilities for managing risks are clearly defined.</li> </ul>

Role	Responsibilities
Managers	<ul style="list-style-type: none"> <li>• Managers are accountable for implementing the risk management practices in their area of responsibility. This includes ensuring that risks are identified, managed, reviewed and updated regularly.</li> <li>• Ensure that assets and operations, together with liability risk to the community, are adequately protected through treatment plans and measures.</li> <li>• Provide risk management related information as requested by their Directorate. Managers are responsible for raising awareness and leading</li> <li>• the culture of managing risk responsibly across the organisation by ensuring that risk management policies, procedures, standards, guidelines and risk management treatment plans are implemented in everyday business practice.</li> <li>• Advising of any risk management matter that should be included in forthcoming budgets.</li> <li>• Are responsible for raising awareness and leading the culture of managing risk responsibly across the organisation by assisting with the implementation of risk management policies, procedures, standards, guidelines and risk treatment plans.</li> </ul>
Governance & Risk Management Coordinator	<p>The Risk Management &amp; Governance Coordinator is responsible for overseeing the development, facilitation and implementation of a risk management culture and framework, including training and awareness across the organisation. They also provide advice to the organisation and are responsible for strategic overview.</p>
All staff	<p>All staff is responsible for applying risk management practices in their business activities. This involves:</p> <ul style="list-style-type: none"> <li>• Systematically identifying, analysing, evaluating and treating risks. Maintaining awareness of current and potential risks that relate to areas of responsibility.</li> <li>• Risk management practices and treatments are regularly reviewed and monitored.</li> <li>• Risk management reporting is appropriately undertaken.</li> <li>• Advice to Managers of any risk issues believed to require attention, such as property exposures for potential loss or damage and community risk.</li> </ul>

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30 October 2017

## HIGH/EXTREME RISKS QUARTERLY REPORT

**Risk Owner:** Director Governance & Community Services

**Key Service:** Improving the quality of community life of residents and to ensure good governance.

**Risk Name:** Bush Fire

Risk ID	Risk Description	Causes	Control Effectiveness	Risk Rating
139	Fail to adequately manage bush fire risk exposure within City	Fuel loads not in control of City Interagency lack of communication Delays to programmed back burning Non-compliance	Adequate	High
	<b>Risk Impacts</b>	<b>Existing Controls</b>		
	People and property losses Loss of public realm Non-compliance with EM Act Reputational damage	Emergency Management Arrangements Interagency engagement (DFES and DPaW) Bushfire Risk Management Plan and fuel load register An additional employee has been engaged in 2017 whose specific task relates to Bushfire Mitigation within the District.		

**Update:**

The Bushfire Risk Management Plan (BRMP) mitigation actions are underway, and the appointment of the Fire and Emergency Management Officer will help expedite mitigation works, and advocating State land managers while promoting fire awareness to the community. The City has undertaken a number of mitigation works in recent months; this has included several low-intensity hazard reduction burns and extensive weed sparing. Within the 2017 – 18 financial year the City has spent approximately \$40 000 on mitigation works identified through the BRMP process. Rural properties were inspected up to April 2017 throughout the 2016 -17 inspection period 1764 properties were inspected resulting in 311 infringements issued. The 2017 – 18 inspections are due to start 1 November. Currently, the Officer conducting the upcoming inspections is readying the Firebreak system and identifying potential problem properties.

## HIGH/EXTEME RISKS QUARTERLY REPORT

There has been no change to the State's Bushfires Act and binding crown land to mitigate bushfire risk on request of the Local Government. The City is leading the industry in this sector and has (in collaboration with WALGA) been meeting with several State land managers to amicably agree on mitigation works. Recently the City and the Department of Lands agreed in principle on mitigation and funding structure. This proposed structure was (at the request of DFES) placed on hold until the State finalised their rural fire service model.

## HIGH/EXTEME RISKS QUARTERLY REPORT

**Risk Owner:** Director Governance & Community Services

**Key Service:** Improving the quality of community life of residents and to ensure good governance.

**Risk Name:** Community Services Major Projects

Risk ID	Risk Description	Causes	Control Effectiveness	Risk Rating
99	Failure to coordinate Community Services major projects on behalf of the City of Cockburn	Lack of due diligence Lack of detailed project scope Lack of resourcing Poor contractors performance Variations of expenditure Inaccurate project cost estimate	Adequate	High
	<b>Risk Impacts</b>	<b>Existing Controls</b>		
	Delays in projects Financial Loss	Contract independent specialist consultant Project control group & project working group Committees & Council reference group Consulting teams/meetings Financial monitoring, extensive project program, monthly progress reports Risk management Plans.		

**Update:**

1. Cockburn ARC – Facility now operational, the geothermal system has yet to be given practical completion due to ongoing issues with the pump system. This is anticipated to be rectified by the start of November.

#### HIGH/EXTEME RISKS QUARTERLY REPORT

2. Lake Lands Reserve Hockey and Community Facilities – Procurement processes completed for appointment of Project Manager and Quantity surveying services. Negotiations with DoE and the FHC are underway in the development of the MOU and other legal agreements.

3. Frankland Reserve – Preliminary concept design, estimated construction cost and lifecycle costing developed. CSRFF funding submission completed. Flora and fauna survey and site contamination assessment underway, the outcomes of these assessments will determine the feasibility to proceed with the project.

Currently, a new Project Portfolio Management (PPM) system is being developed to standardise the implementation of major project works across the organisation, based on a model now operating within the Engineering and Works Division. While this system will take some time to become fully integrated in all Units across the City, it has been accepted as a major positive step in ensuring a consistent approach to Project Management in the future.

## HIGH/EXTREME RISKS QUARTERLY REPORT

**Risk Owner:** Director Finance & Corporate

**Key Service:** Managing the annual budget & financial reporting and long term financial planning, managing financial risks including treasury, rates and other taxation type measures for the Council

**Risk Name:** Records Management

Risk ID	Risk Description	Causes	Control Effectiveness	Risk Rating
139	Inconsistently applied record management practices	Lack of audit trail for documents/external Documents and emails not saved in ECM Non - compliance with processes and requirements Lack of awareness and training	Adequate	High
	<b>Risk Impacts</b>	<b>Existing Controls</b>		
	Breach of State Records Act Inefficiencies Incomplete records Loss of records	Record management policy and guidelines Training Dedicated resources ECM		

Update:

All new staff is required to complete online Recordkeeping Awareness Training as part of their induction and depending on their role they are also required to undertake ECM training. A presentation to Elected Members on their recordkeeping responsibilities has been developed and will be scheduled for early 2018. The internal auditors (Deloitte) will be undertaking an audit of the organisations' records management practices during the 2017/18 financial year (date to be confirmed). A review of technology solutions was undertaken in the form of a staff survey of ECM during August 2017. The results and information gained from the survey will be used to develop strategies to address any issues and improve use of the system.

## HIGH/EXTEME RISKS QUARTERLY REPORT

**Risk Owner:** Director Finance & Corporate / Executive Manager Strategy & Civic Support

**Key Service:** Managing the annual budget & financial reporting and long term financial planning, managing financial risks including treasury, rates and other taxation type measures for the Council.

**Risk Name:** Project Management

Risk ID	Risk Description	Causes	Control Effectiveness	Risk Rating
143	Fail to consistently apply project management methodology and implementation to City projects	Resistance to cultural change Inconsistent and duplication of processes Lack of skills training Inconsistent project management frameworks Selecting the wrong project management software solution for the city Fundamental lack of governance from an IS perspective	Adequate	High
	<b>Risk Impacts</b>	<b>Existing Controls</b>		
	Capital works carry over Silo approach to projects Budget impacts Parachuted project	Project management tools Staff training Cross functional meetings Long term financial plan		

Update:

Planning continues, led by three senior officers and overseen by three Executive Team Members. Consultation has commenced across the organisation including the Senior Management Team and Directors to discuss the progress of the plan including the implementation timeframe and the priorities (as to which business units). The Engineering and Works plus the Governance and Community Services are being prioritised as they in turn are responsible for the majority of the capital projects by size and dollar value.

HIGH/EXTEME RISKS QUARTERLY REPORT

**Risk Owner:** Director Engineering and Works

**Key Service:** Delivering and maintaining a safe road, cycleway and path system, developing and maintaining parks, and landscaping the natural environment for the enjoyment of everyone; the collecting and disposing of waste from all properties in the district and providing and maintaining all buildings and other facilities on Council property for community use.

**Risk Name:** Water Availability

Risk ID	Risk Description	Causes	Control Effectiveness	Risk Rating
139	Reducing water availability to irrigate City and maintain service delivery and amenity	Drying climate Lower allocation of groundwater, by Department of water	Adequate	High
	<b>Risk Impacts</b>	<b>Existing Controls</b>		
	Poor appearance of street scapes and parks	Water management plan Adapt landscaping plans Water recharge options Community education		

Update:

The City continues to liaise with Department of Water on water availability from recycled water and redistribution of abstracted groundwater.



## 12.2 LEGAL PROCEEDINGS BETWEEN COUNCIL AND OTHER PARTIES

<b>Author(s)</b>	J Ngoroyemoto
<b>Attachments</b>	<ol style="list-style-type: none"><li>1. Summary of Legal Proceedings commenced and/or responded to by the City (2016-2017 financial year) <b>(CONFIDENTIAL)</b></li><li>2. Fratelle Architectural Services Termination of Contract Legal proceedings summary <b>(CONFIDENTIAL)</b></li></ol>

### RECOMMENDATION

That Council receive the report on legal proceedings commenced or responded to by the City during 2016/17 financial year.

### Background

At its meeting held on 12 October 2006, Council adopted a new Position Statement PSES13 "Legal Proceedings Between Council and Other Parties". At the May 2016 DAPPS Committee Meeting, Policy SES1 'Obtaining Legal or Other Expert Advice' and associated delegated authority was presented for clarification on the methodology by which legal or other expert advice is provided to Elected Members to enable them to perform their civic function. As a result the "Legal Advice Register" provided annually to the Audit and Strategic Finance Committee is now limited to the notification of those issues which are in relation to, or a result of a Council resolution, or where the amount related to administrative advice is of such an amount to warrant Council's attention only.

### Submission

N/A

### Report

Clause 2 of Position Statement PSES13, sub-clause (7) and (8) states:

*(7) The Chief Executive Officer shall establish and maintain a procedure which enables those matters which are subject to the terms of this Position Statement to be centrally recorded and updated, as appropriate.*

*(8) A record of the procedure mentioned in (7) above shall be presented to the Audit Committee at least annually, or as often as considered appropriate by the Chief Executive Officer or as requested by any member of the Audit Committee.*

The Audit Calendar – Part 6 in the month of November states:

*(6) Monitor the progress of any major law suits facing the Council. (Internal Audit).*

A Summary of the Legal Proceedings commenced or responded to by the City during the 2016/17 financial year, as a result of a Council resolution, or of significant amount that warrants Council's attention has been circulated under separate confidential cover.

### Strategic Plans/Policy Implications

#### Leading & Listening

Deliver sustainable governance through transparent and robust policy and processes

### Budget/Financial Implications

The table below highlights the legal fees expensed during 2016-2017 with commensurate, where relevant, fines and penalties arising from the incurring of the legal expenditure. The City, further incurs expenses for rates recovery, but in 93.8% of the cases, the amounts expended are recovered. The break-up of where the funds are spent is detailed in the table below as well.

LEGAL SERVICES 2016/17		
Legal Firms	Actual	Budget
General - McLeods	\$445,177	N/A
General - Kott Gunning	\$55,651	N/A
<b>Total General</b>	<b>\$500,828</b>	\$425,237
CCW - Jackson McDonald	\$97,382	\$100,000
<b>Rates Recovery</b>		
Debt Collection	\$247,647	\$100,000
Recoveries	\$263,919	\$100,000
<b>Net</b>	<b>\$16,272</b>	Nil

Fines and Penalties Income	\$299,712	\$178,545
<b>Net Legal Fees (after fines and penalties)</b>	<b>\$282,226</b>	<b>\$346,692</b>

The above excludes parking, litter and firebreak infringements.

### **Legal Implications**

N/A

### **Community Consultation**

N/A

### **Risk Management Implications**

There are no risks associated with this recommendation, However failure to present this report to the Council annually presents a compliance risk in accordance with Position Statement PSES13 'Legal Proceedings Between Council and Other Parties', and Policy SES1 'Obtaining Legal or Other Expert Advice' & Associated delegated authority.

### **Advice to Proponent(s)/Submissioners**

N/A

### **Implications of Section 3.18(3) *Local Government Act, 1995***

Nil

### **13. PLANNING & DEVELOPMENT DIVISION ISSUES**

Nil

## 14. FINANCE & CORPORATE SERVICES DIVISION ISSUES

### 14.1 2017 ANNUAL FINANCIAL REPORT & EXTERNAL AUDIT REPORT

<b>Author(s)</b>	N Mauricio
<b>Attachments</b>	<ol style="list-style-type: none"><li>1. Annual Financial Report 2017 <a href="#">↓</a></li><li>2. Summary Annual Financial Report 2017 <a href="#">↓</a></li><li>3. Audit Completion Report &amp; Proposed Audit Opinion 2017 <a href="#">↓</a></li><li>4. Auditor's Report on Summary Financials 2017 <a href="#">↓</a></li></ol>

#### RECOMMENDATION

That Council accept:

- (1) the annual financial report for the year ended 30 June 2017, as attached to the Agenda;
- (2) the summary financial report for the year ended 30 June 2017, as attached to the Agenda;
- (3) the audit completion report & proposed audit opinion 2017; and
- (4) the auditor's report on summary financials 2017.

#### Background

As set out in its terms of reference, the Audit and Strategic Finance Committee (ASFC) is required to review the City's annual financial report and recommend its adoption to Council. The listed duties and responsibilities of the ASFC include reviewing Council's annual financial report, focusing on:

1. accounting policies and practices;
2. changes to accounting policies and practices;
3. the process used in making significant accounting estimates;
4. any significant adjustments to the financial report arising from the audit process;
5. compliance with accounting standards and other reporting requirements;
6. significant variances from prior years.

The committee is also required to discuss any issues arising from the audit of the annual financial report with the auditor. The Local Government Act 1995 requires the City to meet with the auditor at least once in every year.

Regulation 9 (2) of The Local Government (Audit) Regulations 1996 states that the principal objective of the external audit is to carry out such work as is necessary to form an opinion as to whether:

- a) the accounts are properly kept; and
- b) the annual financial report:
  - i. is prepared in accordance with financial records; and
  - ii. represents fairly the results of the operations of the local government at 30 June in accordance with Australian Accounting Standards and the Local Government Act 1995.

The Audit Plan for the 2017 financial year as prepared by the City's auditor (Macri Partners) was presented to the July 2017 meeting of the A&SF Committee and adopted by Council. This outlined the purpose and scope of the external audit and explained the audit methodology and approach to be taken.

### **Submission**

N/A

### **Report**

#### 2017 Annual Financial Report

The annual financial report is presented to the Audit and Strategic Finance Committee in two formats:

1. Financial Statements including all accounting and supporting notes (Detailed).
2. Summary Financial Statements excluding all accounting and supporting notes.

The Summary Financial Statements differ from the full set in that they don't contain the accompanying financial notes and discussion and analysis. Both sets have been approved by the City's Chief Executive Officer and auditor (Macri Partners).

The Summary Financial Statements have been prepared specifically for inclusion in the City's Annual Report, as the full set is too lengthy and mostly irrelevant to the report's audience. The full set of Financial Statements will be published separately on the City's website.

#### Statement of Comprehensive Income

1. Operating Result

The City's operating result for 2017 came in at \$4.4M, down by \$4.0M on the previous year. Operating expenditure increased by 11.3% versus an increase of 7.4% in operating revenue. This is still a healthy result, as it demonstrates the City generates more than enough revenue to cover its costs, including depreciation.

Overall, operating revenues of \$139.6M were up \$9.7M year on year. The main contributors were revenue from rates up \$5.0M (5.5%) and operating grants and subsidies up \$5.7M (70.7%). This is mainly attributable to the impact of \$3.9M from the ever changing practice of the Federal Government in paying federal financial assistance grants (FAGS). This year's FAGS included an advance of 50% of next year's funding whilst the previous year did not. There was also an increase of \$1.3M in child day care subsidies received year on year, reflecting strong growth in service delivery.

Operating expenses were up for the year by \$13.7M to \$135.2M. Employee costs, the City's biggest operational expense item, were up \$5.0M (10.7%) to \$52.1M and were impacted by \$2.1M for the commissioning of the Cockburn ARC facility. Spending on materials and contracts was up 8.2% to \$37.7M (+\$2.8M) with the biggest impact coming from a \$1.2M increase in payments to childcare givers reflecting the growth in services delivered. This result also reflects \$0.7M of costs for the Cockburn ARC and an extra \$0.5M for the triennial GRV property valuations. Insurance expenses came in \$0.2M (10%) higher than last year at \$2.4M. Back claimed workers compensation was the main reason for this increase. Interest expenses increased from \$85k to \$1.0M (+\$0.9M) due to the previous year's borrowings for the Cockburn ARC facility.

Depreciation expense (non-cash) increased by 15.4% to \$27.5M (+\$3.7M). This reflected an increase in building depreciation of \$1.2M due to the commissioning of the Cockburn ARC building in January 2017. There was also an impact of \$0.9M from the depreciation of Port Coogee Marina assets, which was handed over to the City in July 2016. A revaluation of parks equipment assets in June 2016 also contributed to an extra \$0.9M in depreciation (year on year) for this asset class. Amortisation of landfill infrastructure assets increased by \$0.8M (year on year) due to amortisation now recorded for the rehabilitation of the site.

## 2. Net Result

Including non-operating activities, the City's net result (before asset revaluations) was up \$20.2M on the previous year to \$71.9M. Although negatively impacted by the \$4.0M decline in

the operating result, the following non-operating activities contributed an additional net \$24.2M.

Capital grants and contributions received of \$11.1M were down \$12.6M year on year. State and federal capital grants were down \$2.4M mainly due to the Cockburn ARC project winding up. However, the significant impact came from private capital contributions (-\$10.1M) as a result of adjustments made to the JV partner share of incurred construction costs for Cockburn ARC.

\$5.6M received from the City's Developer Contribution Plans (DCP) was down \$3.6M year on year, reflecting a slowdown in land development across the City in 2016-17. \$4.6M was received for the community infrastructure plan (down \$1.9M) and \$1.0M for the road infrastructure plans (down \$1.7M).

The City received gifted assets valued at \$54.3M in July 2016 related to the Port Coogee marina. Infrastructure assets within new subdivisions gifted by developers totalled \$8.4M, down \$4.7M on the \$13.1M gifted the previous year.

Expenses for land ceded to the Crown increased by \$14.0M due to the purchase of recreational land using POS cash in lieu funds of \$14.6M.

Profit from the sale of assets of \$5.7M was up (+\$5.3M) on last year's result, mostly from the sale of commercial land totalling \$10.9M on Beeliar Drive, Yangebup.

With the opening of the Cockburn ARC facility and the subsequent decommissioning of the South Lake Leisure Centre (SLLC), the City was required to book an impairment charge of \$3.2M. This represented the remaining written down value of the SLLC as at 30 June 2017.

### Statement of Financial Position

The City's net assets and total equity was unchanged during the reporting year, remaining at \$1,162.8M. This reflects a decrease in total assets of \$21.5M, comprising current assets (-\$38.9M) and non-current assets (+\$17.4M). These were however offset by a decrease in total liabilities of \$21.5M, comprising current liabilities (-\$13.2M) and non-current liabilities (-\$8.3M).

#### 1. Assets

The decrease in current assets of \$38.9M (year on year) includes \$36.2M less in cash and investments, reflecting the lower amount of cash held in financial reserves. Receivables



were also lower by \$6.8M, mainly due to the invoiced Cockburn ARC JV contribution in the previous year.

The increase in non-current assets of \$17.5M comprised a net increase of \$16.8M in the value of property, plant & equipment (PPE) and an increase of \$3.9M in infrastructure assets.

PPE assets were impacted this year by the triennial revaluation of land and buildings, with land losing \$11.3M in fair value and buildings gaining \$0.5M. PPE was also impacted by the new Cockburn ARC building at \$83.2M (offset by the work in progress spend from the previous year of \$64.9M) and the gifting of the Port Coogee marina services building at \$1.7M.

Infrastructure assets were impacted by a number of significant transactions including the gifting of Port Coogee marina assets (+\$52.6M) and the gifting of roads, drainage and parks infrastructure (+\$8.4M). The annual revaluation of infrastructure assets also had significant impact on asset values with Roads suffering a decrease of \$68.5M primarily due to an extensive condition audit undertaken last year. Drainage had an increase of \$5.9M due to improving levels of data accuracy, whilst both footpaths (+\$0.6M) and parks infrastructure (+\$1.0M) also had increases in value. There were also acquisitions of \$21.2M less depreciation of \$19.9M transacted during the year.

## 2. Liabilities

Current liabilities reduced year on year by \$13.1M to \$18.5M, with trade & other payables the main reason, decreasing by \$14.2M to \$9.4M. This is considered a more normal level as last year's result had been impacted by the June end of month payment run being processed on 1st July (+\$6.5M) and the June progress claim for Cockburn ARC (+\$8.4M). Current leave provisions were also \$1.2M higher on last year at \$6.6M, mainly attributable to annual leave (+\$0.8M).

Non-current liabilities reduced by \$8.3M from last year, primarily due to the new treatment of bonds and deposits received as trust fund items this year (-\$5.8M). Non-current loan borrowings were also paid down by \$3.1M to \$20.0M (of total borrowings of \$22.5M including current liability).

## Changes in Equity

Cash backed reserves held by the City decreased by \$21.1M to \$105.5M during the reporting year, with the completion of the Cockburn ARC facility drawing down on several reserves. Reserves with significant decreases included the Cockburn Central West (CCW) Facility Reserve (down \$10.3M to \$0.5M), the Waste Reserve (down

\$10.7M to \$13.2M), POS Cash in Lieu (down \$5.5M to nil – now Trust), Developer Contributions- Community Infrastructure (down \$4.4M to \$6.0M) and Land & Development Fund Reserve (down \$2.2M to \$4.2M).

Reserves that increased significantly during the year were the Roads & Drainage Infrastructure (up \$5.8M to \$14.0M) and the new Port Coogee Waterways Management (WEMP) Reserve (\$2.3M).

The Revaluation Surplus reduced by \$71.9M to \$503.5M as a result of the annual management valuation of roads, footpaths, drainage and parks infrastructure (down a net \$61.1M) , as well as the triennial valuation of land & buildings undertaken by a licensed valuer (down a net \$10.8M).

The City's accumulated surplus increased by \$93.0M to \$553.8M. This represented the \$71.9M net surplus result, plus the \$21.1M net transfer of funds to financial reserves.

#### Statement of Cash Flows

The City's net incoming cash flows from operating activities reduced by \$14.1M to \$26.9M for the reporting year. This still reflects strong operating cash flows that allow the City to continue funding new assets and asset renewals and upgrades as planned.

Cash of \$83.3M was outlaid on capital spending, a slight increase of \$5.3M on the previous year.

Cash flows from grants and contributions received for the development of assets reduced by \$16.1M to \$16.7M, with the decrease mainly attributable to less grant receipts for the Cockburn ARC project. Cash received from the sale of assets was up by \$9.0M to \$12.5M, due to the sale of two large lots of land on Beeliar Drive, Yangebup.

The City repaid \$3.2M of outstanding borrowings, including the early repayment of the emergency services building self-funding loan at the request of DFES.

Cash and cash equivalents decreased during the year by \$36.2M to \$115.4M, representing the fall in funds held in financial reserves and the transfer of funds held for bonds and deposits into the Trust fund in accordance with legal advice.

#### Rate Setting Statement

This statement shows the most complete view of the City's financial performance for 2017 and determines the municipal budget surplus.

The City's closing funds at 30 June 2017 were \$6.6M, down \$2.6M against the previous year. \$5.4M of the closing funds is unspent monies required to complete carried forward works and projects. The remaining balance of \$1.2M represents uncommitted funds carried forward into the next year. In setting the 2017-18 budget, an estimated \$2.5M of uncommitted funds were allowed for.

The total amount raised from general rates was up \$5.0M (5.5%) on last year to \$96.4M and includes additional revenue from development growth in the City's rating base. This was \$0.6M above the adopted budget target.

### Financial Ratios

The WA Local Government (Financial Management) Regulations 1996 prescribe seven financial ratios that are to be included in the annual financial report. These ratios are also used by the Department of Local Government & Communities (DLGC) as a measurement of a local government's overall financial health. They form the basis of calculations used for the Financial Health Indicator (FHI) displayed on the MyCouncil website.

RATIO	2017	2016	Benchmark	High
Current Ratio	1.432	1.211	1.00	1.50
Asset Sustainability Ratio	<b>1.418</b>	1.399	0.90	<b>1.20</b>
Debt Service Ratio	<b>9.650</b>	20.631	2.00	<b>5.00</b>
Operating Surplus Ratio	0.078	0.049	0.01	0.15
Own Source Revenue Ratio	<b>0.973</b>	1.003	0.40	<b>0.90</b>
Asset Consumption Ratio	0.688	0.714	0.50	0.75
Asset Renewal Funding Ratio	0.729	0.741	0.75	1.10

Six of the ratios are well above the DLGC benchmark, with three exceeding the high ratio mark (in bold). The Asset Renewal Funding Ratio (comparing value of planned renewal spend in LTFP against requirements in AMP's) is only slightly below the benchmark.

The results from these seven ratios produce an FHI score for the City of 90 (compared to 89 last year). This result is the highest achieved by the City to date. An FHI result of 70 and above indicates sound financial health according to the DLGC.

### Audit Report

The 2017 annual financial report was audited by Macri Partners and their assigned Audit Partner, Mr Tony Macri. They were signed off as being true and fair and without qualification. The Local Government Act requires the City to meet with the auditor at least once in every year and the auditor will be present at the meeting to discuss the audit report and any audit findings.

### **Strategic Plans/Policy Implications**

#### Leading & Listening

Deliver sustainable governance through transparent and robust policy and processes

Ensure sound long term financial management and deliver value for money

### **Budget/Financial Implications**

The cost of the external audit is sufficiently covered within the City's annual budget.

### **Legal Implications**

Local Government Act 1995 Sections 5.54, 6.4, 7.9 and 7.12A  
Local Government (Audit) Regulations 1996 Regulations 9 and 10

### **Community Consultation**

N/A

### **Risk Management Implications**

It is a requirement under the Local Government Act for Council to accept the City's annual report (including the financial report and auditor's report) by no later than 31 December each year. Failure to do so will lead to statutory non-compliance.

### **Advice to Proponent(s)/Submissioners**

N/A

### **Implications of Section 3.18(3) *Local Government Act, 1995***

Nil

**Statement by Chief Executive Officer**

The attached financial report of the City of Cockburn, being the Annual Financial Report and supporting notes and other information for the financial year ended 30 June 2017, are in my opinion, properly drawn up to present fairly the financial position of the City of Cockburn at 30 June 2017 and the results of the operations for the financial year then ended, in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the [date]

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*S Cain*  
*Chief Executive Officer*

## Understanding the Financial Statements

### Introduction

The Financial Statements show how the Council performed financially during the 2016/17 financial year and presents the financial position as at the 30<sup>th</sup> June 2017.

Council is required to prepare its' financial statements in accordance with the Australian Accounting Standards, the Local Government Act 1995 and the associated Local Government Regulations. As Council is a "not-for-profit" organisation in the public sector, some of the generally recognised terms used in private sector reports are not ideally transferable to the Local Government environment.

Cockburn Council is mindful of its role of acting in the public interest and it is in this context that this guide is provided to assist readers in understanding and analysing the financial statements.

### What is contained in the Financial Statements?

Council's Financial Statements has two sections, namely:

- (1) The principal Financial Statements
- (2) The Notes to and Forming Part of the Financial Statements.

There are five (5) principal Financial Statements and twenty eight (28) Notes to the Accounts. These are prepared by Council staff, audited by an independent Auditor, presented to Council's Audit Committee and then accepted by full Council as part of the Annual Report.

The five Principal Financial Statements comprise the following:

- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Comprehensive Income
- Cash Flow Statement
- Rate Setting Statement

The Notes to the Accounts include the accounting policies that were applied in preparing the financial statements, as well as more detailed information relating to specific items and values disclosed within the statements.

### ***Statement of Financial Position***

This statement is a snap shot of the financial position of the Council as at 30 June 2017. It shows what Council owns as assets and what it owes as liabilities. The bottom line of this statement is the net assets and is equivalent to the net worth of the Council that has built up since inception.

The assets and liabilities are separated into those that are Current and Non Current. Current means those assets and liabilities, which are likely to be consumed or extinguished within the next 12 months. Non Current refers to assets and liabilities with an economic life extending beyond 12 months.

### ***Statement of Changes in Equity***

From one year to the next, the value of and composition of equity (as reported within the Statement of Financial Position) changes. Equity can be defined as being the net worth of Council or its net assets (Assets less Liabilities).

Council's equity is comprised of Cash Backed Reserves, Asset Revaluation Reserve (non cash) and the Accumulated Surplus. Net surpluses (or deficits) from Council's operations (as disclosed in the Statement of Comprehensive Income), will change the overall total of equity (via the accumulated surplus). Asset revaluations also impact Council's net worth position. Transfers to and from cash backed reserves, whilst not impacting the overall total of equity, demonstrate the consumption of or accumulation of savings for future purposes.

#### ***Statement of Comprehensive Income***

The Statement of Comprehensive Income shows:

- The sources of Council's Revenue under various Program Headings
- The expenses incurred in running the Council during the year under Program Headings

These expenses relate only to the operations and do not include the costs associated with the purchase or the building of assets. While asset purchase costs are not included in expenses, there is an item for depreciation. This is the annual allocation of the cost of assets by reference to the remaining useful life of assets.

The key figure is the change in net assets resulting from operations and this year, it indicates that revenues exceeded expenses.

#### ***Cash Flow Statement***

The Cash Flow Statement summarises Council's cash payments and cash receipts for the year. This statement is presented according to a very specific accounting standard and needs some care and analysis. The values in the Cash Flow Statement differ from those shown in the Statement of Comprehensive Income, as it is prepared on a cash basis, whereas the Statement of Comprehensive Income is prepared on an accruals basis.

Cash in this statement refers to bank deposits and other forms of highly liquid investments that can be readily converted to cash.

Council's cash arises from and is used in three main areas:

- Operating activities
- Investing activities – this term relates to assets such as infrastructure, plant, land and other long-term revenue producing assets.
- Financing activities – this is used to record the receipt and repayment of external financing such as loans and leases.

The bottom line of the Cash Flow Statement shows the cash held at the end of the financial year.

#### ***Rate Setting Statement***

The inclusion of a Rate Setting Statement in the annual statements is a requirement of the Local Government (Financial Management) Regulations 1996. The format for this statement is prescribed within the regulations and is the same as that included in the annual budget.

As the name suggests, the Rate Setting Statement sets out the total amount of general rates proposed in the budget and the amount actually raised during the reporting year. To arrive at these, the statement reconciles all sources and application of funds and the closing surplus or deficit (less any opening balances). This includes all operational revenue and expenses (as included in the Statement of Comprehensive Income) together with all capital acquisitions made, transfers to and from cash-backed reserves and transactions associated with borrowings.

The Rate Setting Statement provides a more complete picture of the council's financial activities during the reporting year compared to the Statement of Comprehensive Income (which reports only on the operational activities).

#### ***Notes to the Accounts***

The notes are a very important and informative section of the Report. They provide additional meaning to and information in support of the principal statements.

The Significant Accounting Policies at note 1 provide the reader with the policies and parameters used in preparing the Statements. In other words, these are the ground rules that form the basis for preparing the statements.

Apart from the Accounting Policies, the other notes provide the details behind many of the summarised figures contained within the statements. Where there is a direct correlation between amounts, the applicable note number is disclosed beside the relevant item in the statements.

The notes should be read in conjunction with the principal Financial Statements to get a clearer understanding of Council's financial position.

#### **Auditor's Report & CEO's Statement**

The independent Audit Report provides an external and independent opinion on the Financial Statements. It provides the reader with the scope of the audit work undertaken and expresses an audit opinion formed on this basis. The audit opinion relates to the fairness aspects and the statutory compliance of the Financial Statements.

The Statement by the Chief Executive Officer serves as a written undertaking by management to the correctness and fairness of the statements.



<b>Statement of Comprehensive Income</b>				
<i>by Nature or Type</i>				
<b>for the Year Ended 30 June 2017</b>				
	Notes	Actual 2016/17 \$	Budget 2016/17 \$	Actual 2015/16 \$
<b>OPERATING REVENUE</b>				
Rates	23a	96,337,163	95,700,000	91,311,030
Specified Area Rates	23b	312,936	330,000	341,727
Fees and Charges	25	22,353,295	24,368,500	22,072,981
Service Charges		440,700	450,000	1,066,477
Operating Grants and Subsidies	27	13,752,463	9,357,649	8,057,274
Contributions, Donations and Reimbursements		1,203,429	638,665	1,372,307
Interest Earnings	2	5,157,532	4,772,036	5,678,901
<b>Total Operating Revenue</b>		<b>139,557,517</b>	<b>135,616,850</b>	<b>129,900,696</b>
<b>OPERATING EXPENDITURE</b>				
Employee Cost		(52,132,049)	(48,822,391)	(47,084,154)
Materials and Contracts		(37,709,273)	(38,979,850)	(34,865,658)
Utilities		(4,748,358)	(4,684,525)	(4,363,875)
Interest Expenses	2	(966,490)	(930,000)	(85,602)
Insurances		(2,444,985)	(2,244,048)	(2,223,550)
Other Expenses		(7,810,268)	(7,328,893)	(7,976,582)
Depreciation on Non Current Assets	2	(27,465,498)	(26,353,614)	(23,790,540)
Finance Cost		(490,620)	-	-
Amortisation on Landfill Infrastructure	2	(1,391,018)	(1,191,132)	(1,064,912)
<b>Total Operating Expenditure</b>		<b>(135,158,559)</b>	<b>(130,534,453)</b>	<b>(121,454,871)</b>
<b>Increase/(Decrease)</b>		<b>4,398,958</b>	<b>5,082,396</b>	<b>8,445,825</b>
<b>NON-OPERATING ACTIVITIES</b>				
Non-Operating Grants, Subsidies and Contributions	27	11,063,443	23,245,184	23,618,162
Developers Contributions Plans: Cash		5,631,840	11,721,922	9,220,108
Gifted Subdivision Assets	9b, 10b	62,676,020	-	13,128,414
Increase/(Decrease) in Equity - Joint Venture	17	499,833	-	(2,344,579)
Increase/(Decrease) in LG House Trust	4	(2,718)	-	(16,582)
Assets Gifted to Other Parties		(14,566,385)	-	(610,366)
Impairment Charge - Buildings	9b	(3,200,000)	-	-
Profit on Sale of Assets	20b	5,684,213	14,650	364,400
Loss on Sale of Assets	20b	(271,825)	-	(121,241)
<b>Total Non-Operating Activities</b>		<b>67,514,422</b>	<b>34,981,756</b>	<b>43,238,316</b>
<b>NET RESULT</b>		<b>71,913,380</b>	<b>40,064,152</b>	<b>51,684,141</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	15	(71,904,359)	-	7,190,450
<b>Total Other Comprehensive Income</b>		<b>(71,904,359)</b>	<b>-</b>	<b>7,190,450</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>9,021</b>	<b>40,064,152</b>	<b>58,874,591</b>

*The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

<b>Statement of Comprehensive Income</b>				
<i>by program</i>				
		<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
<b>For the year ended 30 June 2017</b>				
	Notes	<b>2016/17</b>	<b>2016/17</b>	<b>2015/16</b>
		\$	\$	\$
<b>REVENUES</b>				
<b>Revenue From Ordinary Activities</b>				
General Purpose Funding		108,691,413	105,371,974	100,301,439
Governance		165,070	131,550	231,074
Law Order & Public Safety		999,756	803,944	962,430
Health		336,647	260,500	309,815
Education & Welfare		8,886,134	6,417,260	7,049,298
Community Amenities		9,937,578	11,717,236	11,875,672
Recreation & Culture		4,300,089	5,018,140	4,101,359
Transport		219,702	315,000	522,125
Economic Services		2,045,897	2,325,503	2,120,142
Other Property & Services		3,975,230	3,255,743	2,427,343
<b>TOTAL OPERATING REVENUES</b>		<b>139,557,517</b>	<b>135,616,850</b>	<b>129,900,696</b>
<b>EXPENSES</b>				
General Purpose Funding		(1,854,910)	(1,569,505)	(1,165,505)
Governance		(9,950,052)	(11,445,157)	(10,153,011)
Law Order & Public Safety		(6,335,833)	(6,460,903)	(6,004,225)
Health		(2,340,611)	(2,466,674)	(2,454,667)
Education & Welfare		(15,231,102)	(13,138,099)	(13,228,316)
Community Amenities		(33,210,050)	(33,631,070)	(30,160,766)
Recreation & Culture		(33,531,641)	(30,634,527)	(28,531,696)
Transport		(26,399,596)	(26,567,806)	(25,497,265)
Economic Services		(2,618,309)	(2,564,698)	(2,504,795)
Other Property & Services		(3,686,454)	(2,056,014)	(1,754,625)
<b>Total Operating Expenditure</b>		<b>(135,158,559)</b>	<b>(130,534,453)</b>	<b>(121,454,871)</b>
<b>Increase/(Decrease)</b>		<b>4,398,958</b>	<b>5,082,396</b>	<b>8,445,825</b>
<b>NON-OPERATING GRANTS/CONTRIBUTIONS TOWARDS ASSETS: CASH</b>				
General Purpose Funding		4,136,093	85,557	89,267
Governance		2,082,135	18,079,999	17,437,563
Law Order & Public Safety		706,195	-	117,897
Education & Welfare		200,000	-	23,640
Community Amenities		(5,433,663)	-	603,645
Recreation & Culture		930,356	4,154,220	199,633
Transport		10,272,804	3,805,408	5,115,016
Economic Services		-	-	-
Other Property & Services		3,801,362	8,841,922	9,251,608
		<b>16,695,283</b>	<b>34,967,106</b>	<b>32,838,270</b>
Gifted Subdivision Assets	9b, 10b	62,676,020	-	13,128,414
Assets Gifted to Other Parties		(14,566,385)	-	(610,366)
Increase/(Decrease) in Equity - Joint Venture	17	499,833	-	(2,344,579)
Increase/(Decrease) in LG House Trust	4	(2,718)	-	(16,582)
Impairment Charge - Buildings	9b	(3,200,000)	-	-
<b>PROFIT/(LOSS) ON DISPOSAL OF ASSETS</b>				
Law Order & Public Safety		30,625	-	-
Education & Welfare		31,800	12,000	42,300
Recreation & Culture		(271,825)	-	(90,767)
Transport		309,263	32,150	283,348
Other Property & Services		5,312,525	(29,500)	8,278
	20b	<b>5,412,388</b>	<b>14,650</b>	<b>243,160</b>
<b>NET RESULT</b>		<b>71,913,380</b>	<b>40,064,152</b>	<b>51,684,141</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	15	(71,904,359)	-	7,190,450
<b>Total Other Comprehensive Income</b>		<b>(71,904,359)</b>	<b>-</b>	<b>7,190,450</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>9,021</b>	<b>40,064,152</b>	<b>58,874,591</b>

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.





<b>Statement of Financial Position</b>				
As at 30 June 2017				
		<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
		<b>2016/17</b>	<b>2016/17</b>	<b>2015/16</b>
	Notes	\$	\$	\$
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	3	115,396,082	114,885,061	151,554,000
Financial Assets - Current	4	3,841,492	-	-
Trade & Other Receivables	6	6,894,909	7,033,800	13,656,877
Other Assets	7	911,565	65,000	715,996
Inventories	8	21,782	13,700	41,102
Total Current Assets		127,065,830	121,997,561	165,967,975
<b>NON CURRENT ASSETS</b>				
Financial Assets - Non Current	4	1,202,453	4,813,070	4,819,364
Interests in Joint Ventures	5	6,592,991	8,437,737	6,093,158
Trade & Other Receivables	6	858,657	630,000	738,851
Property, Plant and Equipment	9	328,223,270	351,112,618	311,375,336
Infrastructure	10	740,089,224	714,640,302	736,216,337
Rehabilitation Assets	11	16,211,653	-	16,517,533
Total Non Current Assets		1,093,178,248	1,079,633,727	1,075,760,579
<b>TOTAL ASSETS</b>		<b>1,220,244,078</b>	<b>1,201,631,288</b>	<b>1,241,728,554</b>
<b>CURRENT LIABILITIES</b>				
Trade & Other Payables	12a	9,381,006	2,225,000	23,605,924
Borrowings	12b	2,500,000	2,597,175	2,593,138
Provisions	13	6,596,413	2,000,000	5,425,888
Total Current Liabilities		18,477,419	6,822,175	31,624,950
<b>NON CURRENT LIABILITIES</b>				
Other Payables	12a	-	6,329,512	5,761,532
Borrowings	12b	20,000,000	20,552,860	23,150,036
Provisions	13	18,957,592	6,544,855	18,391,990
Total Non Current Liabilities		38,957,592	33,427,227	47,303,558
<b>TOTAL LIABILITIES</b>		<b>57,435,012</b>	<b>40,249,402</b>	<b>78,928,508</b>
<b>NET ASSETS</b>		<b>1,162,809,067</b>	<b>1,161,381,886</b>	<b>1,162,800,045</b>
<b>EQUITY</b>				
Accumulated Surplus		553,757,996	477,327,907	460,767,729
Reserves - Cash/Investment Backed	14	105,523,070	115,812,070	126,599,957
Revaluation Surplus	15	503,528,001	568,241,909	575,432,360
<b>TOTAL EQUITY</b>		<b>1,162,809,067</b>	<b>1,161,381,886</b>	<b>1,162,800,045</b>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

<b>Statement of Changes in Equity</b>				
		<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
<b>For the year ended 30 June 2017</b>		<b>2016/17</b>	<b>2016/17</b>	<b>2015/16</b>
	Notes	\$	\$	\$
<b>RESERVES CASH/INVESTMENT BACKED</b>				
Balance at beginning of year		126,599,957	124,078,024	107,073,767
Transfer from accumulated surplus		61,219,722	44,411,004	68,342,790
Transfer to accumulated surplus		(82,296,608)	(52,676,958)	(48,816,600)
Balance at end of reporting period	14	105,523,070	115,812,070	126,599,957
<b>REVALUATION SURPLUS</b>				
Balance at beginning of year		575,432,360	568,241,909	568,241,909
Revaluation Increments during year		7,966,579	-	15,359,080
Revaluation Decrements during year		(79,870,938)	-	(8,168,629)
Balance at end of reporting period	15	503,528,001	568,241,909	575,432,360
<b>ACCUMULATED SURPLUS</b>				
Balance at beginning of year		460,767,729	428,997,800	428,609,779
Net result		71,913,380	40,064,152	51,684,141
Transfer from reserves		82,296,608	52,676,958	48,816,412
Transfer to reserves		(61,219,722)	(44,411,004)	(68,342,602)
Balance at end of reporting period		553,757,996	477,327,907	460,767,729
<b>TOTAL EQUITY</b>		<b>1,162,809,067</b>	<b>1,161,381,886</b>	<b>1,162,800,045</b>

*The Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

<b>Statement of Cash Flows</b>				
<b>For the year ended 30 June 2017</b>		<b>Actual 2016/17</b>	<b>Budget 2016/17</b>	<b>Actual 2015/16</b>
	Notes	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Employee Cost		(50,886,542)	(48,822,391)	(46,236,902)
Materials and Contracts		(51,794,610)	(47,479,850)	(20,127,926)
Utilities		(4,748,358)	(4,684,525)	(4,363,875)
Interest Paid		(966,490)	(930,000)	(85,602)
Insurances		(2,444,985)	(2,244,048)	(2,223,550)
Other Expenses		(7,810,268)	(7,328,893)	(7,976,582)
GST on Payments		(13,367,790)	-	(10,657,073)
		<b>(132,019,043)</b>	<b>(111,489,707)</b>	<b>(91,671,509)</b>
<b>Receipts</b>				
Rates & Special Area Rates		96,076,683	96,030,000	90,889,316
Fees and Charges		27,947,790	27,368,500	16,128,057
Service Charges		440,700	450,000	1,066,477
Contributions, Donations and Reimbursements		1,203,429	638,665	1,372,307
Interest Received		4,882,964	4,772,036	5,438,875
Grants & Subsidies - Operating		13,752,463	9,857,649	8,057,274
Other Revenue/Income		597,526	-	-
GST on Receipts		3,648,584	-	2,973,834
GST Refunded by ATO		10,426,932	5,000,000	6,786,736
		<b>158,977,070</b>	<b>144,116,850</b>	<b>132,712,876</b>
<b>NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>16a</b>	<b>26,958,027</b>	<b>32,627,142</b>	<b>41,041,367</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from Sale on Non Current Assets	20b	12,503,975	1,264,650	3,471,651
Purchase Furniture and Equipment		(1,758,457)	(33,808)	(6,105)
Purchase Computer Equipment		(943,781)	(484,800)	(294,621)
Purchase & Construction of Infrastructure Assets		(23,927,732)	(19,767,538)	(13,016,993)
Purchase Plant and Machinery		(7,925,137)	(5,791,000)	(3,537,490)
Purchase & Development of Land		(836,966)	-	(428,871)
Purchase & Construction of Buildings		(33,399,309)	(58,655,520)	(60,055,961)
Capital Grants, Subsidies & Contributions		11,110,713	-	-
Developer Contribution - Cash		5,631,840	-	-
Assets Gifted to Other Parties		(14,566,385)	-	(610,366)
<b>NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>		<b>(54,111,239)</b>	<b>(83,468,016)</b>	<b>(41,640,486)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net receipts/(refund) of bonds		(5,761,532)	-	(441,622)
Loan Principal Repayment		(3,243,174)	(2,593,138)	23,576,680
<b>NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>		<b>(9,004,706)</b>	<b>(2,593,138)</b>	<b>23,135,058</b>
Net Increase/(Decrease) In Cash during year		(36,157,918)	(18,466,906)	22,535,939
Cash & Cash Equivalents at Beginning of Reporting Period		151,554,000	133,351,966	129,018,060
<b>CASH &amp; CASH EQUIVALENTS AT END OF REPORTING PERIOD</b>	<b>3,16b</b>	<b>115,396,082</b>	<b>114,885,061</b>	<b>151,554,000</b>
<i>The Statement of Cash Flows should be read in conjunction with the accompanying notes.</i>				





<b>Rate Setting Statement</b>				
<b>For the year ended 30 June 2017</b>				
		<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
		<b>2016/17</b>	<b>2016/17</b>	<b>2015/16</b>
	Notes	\$	\$	\$
<b>Operating Revenue</b>				
Specified Area Rates	23b	312,936	330,000	341,727
Fees & Charges	23b	22,353,295	24,368,500	22,072,981
Service Charges	23b	440,700	450,000	1,066,477
Operating Grants & Subsidies	23b	13,752,463	9,357,649	8,057,274
Contributions, Donations, Reimb	23b	1,203,429	638,665	1,372,307
Interest Earnings	23b	5,157,532	4,772,036	5,678,901
Profit on Sale of Assets	20b	5,684,213	-	364,400
<b>Total Operating Revenue</b>		<b>48,904,567</b>	<b>39,916,850</b>	<b>38,954,067</b>
<b>Operating Expenditure</b>				
Employee Costs		(52,132,049)	(48,822,391)	(47,084,154)
Materials and Contracts		(37,709,273)	(38,979,850)	(34,865,658)
Utilities		(4,748,358)	(4,684,525)	(4,363,875)
Interest Expenses	22	(966,490)	(930,000)	(85,602)
Insurances		(2,444,985)	(2,244,048)	(2,223,550)
Other Expenses		(7,810,268)	(7,328,893)	(7,976,582)
Loss on Sale of Assets	20b	(271,825)	-	(121,241)
Depreciation on Non Current Assets	9b, 10b	(27,465,498)	(26,353,614)	(23,790,540)
Finance Cost on Non Current Assets	10b, 11, 13	(490,620)	-	-
Amortisation on Non Current Assets	10b, 11, 13	(1,391,018)	(1,191,132)	(1,064,912)
<b>Total Operating Expenditure</b>		<b>(135,430,383)</b>	<b>(130,534,453)</b>	<b>(121,576,112)</b>
<b>Change in Net Assets Resulting from Operations before Rates</b>		<b>(86,525,816)</b>	<b>(90,617,604)</b>	<b>(82,622,045)</b>
<b>Adjustments for Cash Budget Requirements:</b>				
Profit on Sale of Assets	20b	(5,684,213)	-	(364,400)
Loss on Sale of Assets	20b	271,825	-	121,241
Depreciation on Non Current Assets	9b, 10b	27,465,498	26,353,614	23,790,540
Finance Cost on Non Current Assets	10b, 11, 13	490,620	-	-
Amortisation on Non Current Assets	10b, 11, 13	1,391,018	1,191,132	1,064,912
Movement in Non-Current Employee Benefit Provisions	13	74,982	-	40,164
Movement in Deferred Pensioners	6	(119,806)	-	(106,301)
		<b>23,889,923</b>	<b>27,544,746</b>	<b>24,546,155</b>
<b>Capital Expenditure and Revenue</b>				
Purchase of Land	9b	(836,966)	-	(428,871)
Purchase of Buildings	9b	(33,399,309)	(58,655,520)	(60,055,961)
Purchase of Plant and Machinery	9b	(7,925,137)	(5,791,000)	(3,537,490)
Purchase of Furniture and Equipment	9b	(1,758,457)	(33,808)	(6,105)
Purchase of Computer Equipment	9b	(943,781)	(484,800)	(294,621)
Construction of Roads Infrastructure	10b	(14,500,745)	(10,865,703)	(12,831,296)
Construction of Drainage Infrastructure	10b	(536,058)	(1,061,475)	(6,540,856)
Construction of Footpath Infrastructure	10b	(925,121)	(1,003,360)	(941,680)
Construction of Parks Hard Infrastructure	10b	(7,709,222)	(5,642,000)	(6,756,317)
Construction of Parks Soft Infrastructure	10b	-	(970,000)	1,156,523
Construction of Refuse Site Infrastructure	10b	(256,587)	(225,000)	(231,781)
Proceeds on Sale of Assets	20b	12,503,975	1,264,650	3,417,732
Contributions/Grants for the development of Assets	27	11,063,443	23,245,184	23,618,162
Net Movement in Gifted Assets		(14,566,385)	-	12,518,048
Developer Contribution Plans - Cash	23b	5,631,840	11,721,922	9,220,108
Repayment of Loans	22	(3,243,174)	(2,593,138)	(1,423,320)
Proceeds from New Loans	22	-	-	25,000,000
Transfers from Reserves (Restricted Assets)	14	82,296,608	52,676,958	48,816,600
Transfers to Reserves (Restricted Assets)	14	(61,219,722)	(44,411,004)	(68,342,790)
		<b>(36,324,797)</b>	<b>(42,828,094)</b>	<b>(37,643,914)</b>
<b>NET</b>		<b>(98,960,690)</b>	<b>(105,900,951)</b>	<b>(95,719,805)</b>
Add: Opening Funds	34	9,267,511	10,500,000	13,676,287
Less: Closing Funds	34	6,643,985	299,049	9,267,511
<b>Amount Required to be Raised from Rates</b>		<b>(96,337,163)</b>	<b>(95,700,000)</b>	<b>(91,311,030)</b>

The Rate Setting Statement should be read in conjunction with the accompanying notes.



## NOTES TO THE ACCOUNTS

### 1. Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

#### **a. Basis of Preparation**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations.

Except for cash flow and rate setting information, the report has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

#### ***Critical accounting estimates***

The preparation of a financial report in conformity with the Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The advisors model valuations, which are based on future cash flows, are derived from a number of factors including information obtained from arrangers of individual securities and ratings agencies, reviews of the components of the relevant securities and also movements in applicable credit spreads.

#### ***The local government reporting entity***

All Funds through which the City controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated.

**b. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

**c. Cash and Cash Equivalents**

Cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short-term borrowings in current liabilities on the Statement of Financial Position.

**d. Trade and Other Receivables**

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

**e. Inventories*****General***

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**f. Fixed Assets**

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

***Mandatory requirement to revalue non-current assets***

Effective from 1 July 2012, the *Local Government (Financial Management) Regulations 1996* were amended and the measurement of non-current assets at Fair Value became mandatory.

During the year ended 30 June 2013, the City commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2016 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the City revalues its asset classes in accordance with this mandatory timetable.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

***Land under control***

In accordance with Local Government (Financial Management) Regulation 16(a), the City was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

***Initial recognition and measurement between mandatory revaluation dates***

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

**Revaluation**

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

**Land under Roads**

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the requirement of Regulation 16(a)(i) of the Local Government (Financial Management) Regulations that prohibits local government from recognising such land as an asset of local government.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, Regulation 16(a)(i) of the Local Government (Financial Management) Regulations prohibits local government from recognising such land as an asset of local government.

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the City.

**Depreciation of Non-Current Assets**

The depreciation amount of all fixed assets including buildings but excluding freehold land, are depreciate don straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated life of the improvements.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- 1) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount;  
or
- 2) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation is recognised, as follows:

**Property, Plant and Equipment**

Buildings (Components)	30-50 years
Furniture and Equipment	3-10 years
Computer Equipment	3-5 years
Plant & Machinery	3-10 years

**Infrastructure Assets**

Infrastructure – Footpaths	20-50 years
Infrastructure – Drainage	30-75 years
Infrastructure – Roads: Surface	15-25 years
Infrastructure – Roads: Base	50-80 years
Infrastructure – Roads: Sub-Base	80-100 years
Infrastructure – Roads: Kerbing	20-50 years
Infrastructure – Bridges	30-50 years
Infrastructure – Parks Equipment	10-30 years
Bus Shelters	15-40 years

**Capitalisation Threshold**

<b>Asset Class</b>	<b>\$</b>
Land	-
Buildings	-
Furniture & Equipment / Computer Equipment	5,000
Plant & Machinery	5,000
Infrastructure Assets	5,000
Software	100,000

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

## **g. Financial Instruments**

### ***Initial recognition and measurement***

Financial assets and financial liabilities are recognised when the City becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the City commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

### ***Classification and subsequent measurement***

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or at cost.

Amortised cost is calculated as:

- (a) The amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

#### *i) Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### *ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

#### *iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be



tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

*iv) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

*v) Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

**Recognition and derecognition**

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

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

**Subsequent measurement**

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

### ***Impairment***

Council assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised on equity instruments classified as available-for-sale are not reversed.

### **h. Fair Value of Assets and Liabilities**

When performing a revaluation, the City uses a mix of both independent and management valuations using the following as a guide:

Fair Value is the price that the City would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (i.e. the market with the greatest volume and level of activity for the asset) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

### ***Fair Value Hierarchy***

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

#### **Level 1**

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2**

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

**Valuation techniques**

The City selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the City are consistent with one or more of the following valuation approaches:

**Market approach**

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

**Income approach**

Valuation techniques that use convert estimated future cash flows or income and expenses into a single discounted present value.

**Cost approach**

Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the City gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability and considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

As detailed above, the mandatory measurement framework imposed by the *Local Government (Financial Management) Regulations 1996* requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

**i. Impairment of Assets**

In accordance with Australian Accounting Standards the City's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

**j. Trade and Other Payables**

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Municipality prior to the end of the financial year that are unpaid and arise when the Municipality becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually settled within 30 days of recognition.

**k. Employee Benefits**

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

***Short-term employee benefits***

Provision is made for the City's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The City's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The City's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

***Other long-term employee benefits***

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary

levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The City's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the City does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

### **I. Borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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

#### ***Borrowing Costs***

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

### **m. Provisions**

Provisions are recognised when: The Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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.

### **n. Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the City, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

#### **o. Interests in Joint Arrangements**

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(r) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The City's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint venture is set out in Notes 5 and 17.

#### **p. Investment in Associates**

An associate is an entity over which the City has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the City's share of net assets of the associate. In addition, the City's share of the profit or loss of the associate is included in the City's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the City's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the City and the associate are eliminated to the extent of the City's interest in the associate.

When the City's share of losses in an associate equals or exceeds its interest in the associate, the City discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

When the associate subsequently makes profits, the City will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

**q. Rates, Grants, Donations and Other Contributions**

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 20(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

**r. Superannuation**

The Council is a member of the Western Australian Local Government Superannuation Plan (WALGSP). This is a Defined Contributions Plan and Council contributes at the rate of 10.5% for the Superannuation Guarantee Charge, plus additional matching contributions of up to 4% where agreed.

**s. Rounding Off Figures**

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar.

**t. Comparative Figures**

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

**u. Current and Non-Current Classification**

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operational cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on the City's intentions to release for sale.

## v. Budget Information

Budget figures shown in the financial statements have been disclosed as per the legislative requirements. Where necessary, budget information has been recast to comply with current presentation requirements. Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

## w. New Accounting Standards and Interpretations for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the City for the period ended 30 June 2017. These are outlined in the table below:

	Title	Issued / Compiled	Applicable (1)	Impact
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.  The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.
(iii)	AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.  Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.
(iv)	AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are: - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services.  Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.

Notes:

(1) Applicable to reporting periods commencing on or after the given date.



## x. Adoption of New and Revised Accounting Standards

During the current year, the Shire adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled became mandatory and which were applicable to its operations.

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

	Title	Issued / Compiled	Applicable (1)	Impact
(i)	AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities			The objective of this Standard was to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.
	[AASB 10, 124 & 1049]			The Standard has had a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.

## y. Intangible Assets

### Easements

The Council has determined that under AASB 138 Intangible Assets, easements are valued on an historical cost basis, because it is unlikely that an active market in easements exists to allow for fair value measurement. Due to acquisition of easements at NIL values, no easements have been included in the financial report.

## z. Provision for Restoration, Rehabilitation and Site Monitoring Costs

The City complies with the full provision method for accounting provisions in respect of restoration, rehabilitation and site monitoring costs. Charges are made to expenses based on the estimated costs of restoring, rehabilitating and monitoring the landfill site. The rate charge is reviewed annually and is based on an estimated cost per tonne. The cost per tonne is arrived at after taking into account a standard engineering cost per cubic metre of landfill, the density of the waste and the most recent aerial surveys. Engineering rates differ according to the nature of the obligation to provide the service.

## aa. Future capping Expenditure

The liability for estimated future capping expenditure is provided for through a rehabilitation provision on a phase-by-phase basis and is discounted to its present value, with the unwinding of the discount being charged to the statement of comprehensive income within the amortisation charge. The discounted present value of the future capping expenditure is also capitalised as part of the rehabilitation asset and is amortised on a straight-line basis. Changes in estimates are recognised prospectively with corresponding adjustments to the provision and associated costs.

## bb. Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and fair value less costs to sell. Cost includes the cost of acquisition, development and interest

incurred on the financing of that land during its development. Interest and holding charges incurred after development is complete are recognised as expenses.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

Land held for resale is classified as current except where it is held as non-current based on the Council's intention to release for sale.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT			
<b>2a. Revenue and Expenses</b>			
	Actual 2016/17	Budget 2016/17	Actual 2015/16
The net result includes:	\$	\$	\$
<b>(i) CHARGING AS AN EXPENSE</b>			
<u>Auditors Remuneration</u>			
Audit of financial statements	29,000	29,000	26,300
Audit of project - acquittals	13,332	12,195	11,347
	<b>42,332</b>	<b>41,195</b>	<b>37,647</b>
<u>Depreciation</u>			
Buildings	5,360,475	5,175,945	4,130,221
Plant and Machinery	2,872,152	3,034,473	2,761,857
Furniture Equipment	142,509	184,620	144,029
Computer Equipment	211,278	257,472	223,307
Infrastructure - Roads	10,735,077	11,029,308	10,176,299
Infrastructure - Drainage	2,444,452	2,622,888	2,498,163
Infrastructure - Footpaths	1,169,810	1,214,664	1,156,861
Infrastructure - Parks Equipment	3,583,931	2,834,244	2,699,803
Infrastructure - Marina	945,815	-	-
	<b>27,465,498</b>	<b>26,353,614</b>	<b>23,790,540</b>
<u>Amortisation</u>			
Infrastructure - Landfill	1,391,018	1,191,132	1,064,912
<u>Interest Expenses</u>			
Debentures (refer Note 22)	966,490	930,000	85,602
<u>Rental Charges</u>			
Operating Leases	606,372	681,369	556,092
<u>Other Expenses</u>			
State Landfill Levy	2,989,955	3,809,501	2,858,990
<b>(ii) CREDITING AS REVENUE</b>			
Grants/Contributions towards Assets	11,063,443	23,245,184	23,618,162
Increase/(Decrease) in Equity - SMRC Joint Venture	499,833	-	<b>(2,344,579)</b>
<u>Interest Earnings</u>			
Interest received on Reserve Funds	2,329,289	1,858,196	2,484,527
Interest received on Other Funds	2,828,243	2,913,840	3,194,374
	<b>5,157,532</b>	<b>4,772,036</b>	<b>5,678,901</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT****2b. Revenues and Expenses****MISSION STATEMENT**

To make the City of Cockburn the most attractive place to live, work, visit and invest in, within the Perth metropolitan area.

The City of Cockburn has adopted the program/activity structure outlined in Schedule 1 of the Local Government (Financial Management) Regulations. The City has incorporated the allocation of internal service provision costs throughout the various programs/activities.

Council operations as disclosed in this budget encompass the following service orientated programs/activities:

**General Purpose Funding**

The collection of general-purpose revenue including rates and penalties, general-purpose grants and interest on investments. This provides the funding for much of the City's programs/activities.

**Governance**

The administration and operation of facilities and services to the elected members of Council. Also includes other corporate type costs that are not related to the specific service areas covered under the other programs.

**Law, Order And Public Safety**

Provision of community safety services including supervision of various by-laws, animal and dog control, a security patrol service, fire prevention and voluntary emergency services.

**Health**

The provision of environmental health services including food quality and pest control.

**Education and Welfare**

The provision of support services to families and children, the aged and disabled and senior citizens. The provision of pre- schools and services and facilities for the youth.

**Community Amenities**

Refuse collection, recycling and disposal, the operation of the Henderson Landfill site, protection of the environment, administration of the town planning scheme and maintenance of bus shelters.

**Recreation and Culture**

The provision and operation of community halls and recreation centres, parks and ovals, beach reserves and swimming areas and library facilities. The development and provision of arts and cultural events.

**Transport**

This program includes road, drainage and footpath construction and maintenance. The provision and maintenance of streetscapes is also included, as is the purchase of heavy plant and the operations of the council works depot

**Economic Services**

Activities associated with the control of building activity within the city and the provision of facilities and services that encourage tourism.

**Other Property and Services**

Includes private works and engineering overheads and plant operating costs (both of which are allocated to the City's works program).

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

**3. Cash & Cash Equivalents**

	Actual 2016/17	Actual 2015/16
	\$	\$
Cash at Bank	2,896,742	8,528,960
Cash on Hand	22,500	22,768
Term Deposits	112,476,840	143,002,272
	<b>115,396,082</b>	<b>151,554,000</b>
Restricted	100,602,935	127,668,651
Unrestricted	14,793,147	23,885,349
	<b>115,396,082</b>	<b>151,554,000</b>
<b>SUMMARY OF RESTRICTED CASH</b>		
Sundry Deposits and Bonds (Non Current Payables)	-	5,761,532
	-	<b>5,761,532</b>
<b>Cash/Investment Backed Reserves</b>		
Council Funded	82,590,191	102,687,894
Externally Funded	9,424,250	7,053,040
Development Contribution Plans	13,508,629	16,859,023
Sub-total	105,523,070	126,599,957
Less:		
Funds held in current & non-current investments	(4,920,136)	(4,692,838)
	<b>100,602,935</b>	<b>121,907,119</b>
<b>TOTAL RESTRICTED CASH</b>	<b>100,602,935</b>	<b>127,668,651</b>

<b>NOTES TO AND FORMING PART OF THE FINANCIAL REPORT</b>		
<b>4. Financial Assets</b>		
	<b>Actual 2016/17</b>	<b>Actual 2015/16</b>
<b>CURRENT</b>	<b>\$</b>	<b>\$</b>
Held to Maturity Investments maturing within 12 mths of reporting period	3,841,492	-
<b>NON CURRENT</b>		
Held to Maturity Investments maturing later than 12 mths from reporting period		
Mortgage-Backed securities	1,078,644	4,692,838
Financial Assets		
Investment in WALGA Local Government House Trust *	123,808	126,526
	<u>1,202,453</u>	<u>4,819,364</u>
All held to maturity Investments are restricted in nature (see note 3).		
*) This note discloses the equity the City has in the Local Government House Trust as a consequence of a contribution towards the cost of purchasing Local Government House.		
The total contribution by all Councils towards the cost of the WALGA building was \$582,000. There are 620 units in the Local Government House Unit Trust, 8 of which are held by the City of Cockburn.		
<b>5. Interests in Joint Ventures</b>		
<b>NON CURRENT</b>		
Joint Venture in SMRC	6,592,991	6,093,158
	<u>6,592,991</u>	<u>6,093,158</u>
Refer note 17 for further detail on SMRC Joint Venture		

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT		
<b>6. Trade &amp; Other Receivables</b>		
	<b>Actual</b>	Actual
	<b>2016/17</b>	2015/16
<b>CURRENT</b>	<b>\$</b>	<b>\$</b>
Rates Outstanding	2,122,054	1,668,444
Rubbish Charges Outstanding	92,994	110,530
Sundry Debtors	3,866,702	9,443,662
GST Receivable	813,159	2,434,241
	<b>6,894,909</b>	<b>13,656,877</b>
<b>NON CURRENT</b>		
Rates Outstanding - Pensioners	858,657	738,851
	<b>858,657</b>	<b>738,851</b>
<b>7. Other Assets</b>		
	<b>Actual</b>	Actual
	<b>2016/17</b>	2015/16
<b>CURRENT</b>	<b>\$</b>	<b>\$</b>
Prepayments	911,565	715,996
	<b>911,565</b>	<b>715,996</b>
<b>8. Inventories</b>		
	<b>Actual</b>	Actual
	<b>2016/17</b>	2015/16
	<b>\$</b>	<b>\$</b>
Fuel Depot	21,782	41,102
	<b>21,782</b>	<b>41,102</b>





## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

## 9a. Property, Plant and Equipment

	Actual 2016/17	Actual 2015/16
	\$	\$
<b>LAND</b>		
At Independent Valuation 2017	82,632,800	-
At Independent Valuation 2014	-	98,010,600
	<b>82,632,800</b>	<b>98,010,600</b>
<b>BUILDINGS</b>		
At Independent Valuation 2017	303,548,238	-
At Independent Valuation 2014	-	199,332,010
LESS Impairment	(3,200,000)	-
LESS Accumulated Depreciation	(83,035,377)	(73,847,838)
	<b>217,312,861</b>	<b>125,484,173</b>
<b>FURNITURE AND EQUIPMENT</b>		
At Independent Valuation 2017	3,185,311	-
At Management Valuation 2016	-	1,446,276
LESS Accumulated Depreciation	(1,314,623)	(1,172,113)
	<b>1,870,689</b>	<b>274,162</b>
<b>COMPUTER EQUIPMENT</b>		
At Independent Valuation 2017	1,330,150	-
At Management Valuation 2016	-	1,330,150
LESS Accumulated Depreciation	(731,391)	(520,113)
	<b>598,759</b>	<b>810,037</b>
<b>PLANT AND MACHINERY</b>		
At Independent Valuation 2017	24,251,028	-
At Management Valuation 2016	-	20,997,029
LESS Accumulated Depreciation	(8,948,401)	(9,473,940)
	<b>15,302,627</b>	<b>11,523,089</b>
<b>WORK IN PROGRESS</b>		
At cost	10,505,535	75,273,275
	<b>10,505,535</b>	<b>75,273,275</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>		
Gross Book Value	425,453,062	396,389,340
LESS Impairment	(3,200,000)	-
LESS Accumulated Depreciation	(94,029,792)	(85,014,004)
<b>NET BOOK VALUE</b>	<b>328,223,270</b>	<b>311,375,336</b>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arm's length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A which requires property, plant and equipment to be shown at fair value.

## 9b. Movements in Carrying Amounts - Property, Plant &amp; Equipment

The following table reconciles the carrying amount at the beginning and end of the current financial year for each class of non-current assets:

Asset Classification	Carrying amount at beginning of the year	Work in Progress Opening	add:		add / (less) Revaluation increments/ (decrements)		less:		less:		Carrying amount at end of the year
			Capital Spend 2016-17	Gifted Development Assets	Work in Progress Closing	Disposals & Write Offs	Impairment (Losses)/ Reversals	Depreciation			
Freehold Land	98,010,600	1,420,630	836,966	-	(11,284,737)	(804,344)	(5,546,315)	-	-	82,632,800	
Buildings	125,484,173	71,587,940	33,399,309	1,691,000	456,022	(6,473,284)	(271,825)	(3,200,000)	(5,360,475)	217,312,861	
Furniture & Equipment	274,162	-	1,758,457	-	-	(19,421)	-	-	(142,509)	1,870,689	
Computer Equipment	810,037	2,264,706	943,781	-	-	(3,208,486)	-	-	(211,278)	598,759	
Plant & Machinery	11,523,089	-	7,925,137	-	-	-	(1,273,447)	-	(2,872,152)	15,302,627	
Work in Progress	75,273,276	(75,273,276)	-	-	-	10,505,535	-	-	-	10,505,535	
	<b>311,375,336</b>	-	<b>44,863,651</b>	<b>1,691,000</b>	<b>(10,828,715)</b>	-	<b>(7,091,587)</b>	<b>(3,200,000)</b>	<b>(8,586,414)</b>	<b>328,223,271</b>	

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

## 10a. Infrastructure Assets

	Actual 2016/17	Actual 2015/16
	\$	\$
<b>INFRASTRUCTURE - ROADS</b>		
At Management Valuation 2017	577,410,638	-
At Management Valuation 2016	-	570,909,037
LESS Accumulated Depreciation	<u>(225,730,964)</u>	<u>(160,475,410)</u>
	<b>351,679,674</b>	<b>410,433,627</b>
<b>INFRASTRUCTURE - DRAINAGE</b>		
At Management Valuation 2017	253,243,593	-
At Management Valuation 2016	-	245,116,705
LESS Accumulated Depreciation	<u>(49,114,423)</u>	<u>(48,261,101)</u>
	<b>204,129,170</b>	<b>196,855,604</b>
<b>INFRASTRUCTURE - FOOTPATHS</b>		
At Management Valuation 2017	65,378,280	-
At Management Valuation 2016	-	55,531,251
LESS Accumulated Depreciation	<u>(24,316,042)</u>	<u>(14,707,037)</u>
	<b>41,062,238</b>	<b>40,824,214</b>
<b>INFRASTRUCTURE - PARKS EQUIPMENT</b>		
At Management Valuation 2017	71,471,710	-
At Management Valuation 2016	-	69,046,722
LESS Accumulated Depreciation	<u>(25,267,053)</u>	<u>(24,651,804)</u>
	<b>46,204,657</b>	<b>44,394,918</b>
<b>LANDFILL INFRASTRUCTURE</b>		
At Independent Valuation 2017	36,108,000	-
At Management Valuation 2016	-	35,844,253
LESS Accumulated Amortisation	<u>(14,338,561)</u>	<u>(13,020,973)</u>
	<b>21,769,439</b>	<b>22,823,280</b>
<b>MARINA INFRASTRUCTURE</b>		
At Independent Valuation 2017	52,608,256	-
LESS Accumulated Depreciation	<u>(945,815)</u>	<u>-</u>
	<b>51,662,441</b>	<b>-</b>
<b>WORK IN PROGRESS</b>		
At cost	23,581,605	20,884,694
	<b>23,581,605</b>	<b>20,884,694</b>
<b>TOTAL INFRASTRUCTURE ASSETS</b>		
Gross Book Value	1,079,802,082	997,332,662
LESS Accumulated Depreciation	<u>(339,712,858)</u>	<u>(261,116,325)</u>
<b>NET BOOK VALUE</b>	<b>740,089,224</b>	<b>736,216,337</b>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arm's length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A which requires infrastructure to be shown at fair value.

## 10b. Movements in Carrying Amounts - Infrastructure

The following table reconciles the carrying amount at the beginning and end of the current financial year for each class of non-current assets:

Asset Classification	Carrying amount at beginning of the year	Work in Progress Opening	add:		less:		add / (less) Revaluation increments/ (decrements)	Disposals & Write Offs	Impairment (Losses)/ Reversals	Depreciation/ Amortisation	Carrying amount at end of the year
			Capital Spend 2016-17	Gifted Development Assets	Work in Progress Closing						
Roads Infrastructure	410,433,627	12,428,713	14,500,745	4,135,423	(10,572,494)	(68,511,262)	-	-	(10,735,077)	351,679,674	
Drainage Infrastructure	196,855,604	398,315	536,058	3,339,514	(507,744)	5,951,874	-	-	(2,444,452)	204,129,170	
Footpaths Infrastructure	40,824,214	393,030	925,121	-	(505,159)	594,842	-	-	(1,169,810)	41,062,238	
Parks Equipment	44,394,918	7,286,490	7,709,222	901,827	(11,467,709)	963,841	-	-	(3,583,931)	46,204,658	
Refuse Site Infrastructure	22,823,280	378,147	256,587	-	(528,499)	(74,939)	-	-	(1,085,138)	21,769,439	
Marina Infrastructure	-	-	-	52,608,256	-	-	-	-	(945,815)	51,662,441	
Work in Progress	20,884,694	(20,884,695)	-	-	23,581,605	-	-	-	-	23,581,605	
	<b>736,216,337</b>	<b>-</b>	<b>23,927,732</b>	<b>60,985,020</b>	<b>-</b>	<b>(61,075,643)</b>	<b>-</b>	<b>-</b>	<b>(19,964,222)</b>	<b>740,089,225</b>	

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT		
<b>11. Rehabilitation Assets</b>		
	<b>Actual</b>	Actual
	<b>2016/17</b>	2015/16
<b>NON CURRENT</b>		
Post closure rehabilitation assets	16,517,533	16,517,533
Less: Accumulated amortisation	(305,880)	-
	<u>16,211,653</u>	<u>16,517,533</u>
Movements in carrying amounts of post closure rehabilitation assets during the financial year are shown as follows.		
	<b>Rehabilitation Assets</b>	
	\$	
Opening balance at 1 July 2016	16,517,533	
Increase / (decrease) in provision resulting from the remeasurement of the estimated future cash flows	-	
Amortisation	(305,880)	
Closing Balance at 30 June 2017	<u>16,211,653</u>	
<b>12a. Trade &amp; Other Payables</b>		
	<b>Actual</b>	Actual
	<b>2016/17</b>	2015/16
<b>CURRENT</b>		
	\$	
Creditors	7,360,147	21,244,213
Accrued Expenses	1,380,819	1,405,840
Income Received in Advance	597,526	-
GST Payable	42,514	955,871
	<u>9,381,006</u>	<u>23,605,924</u>
<b>NON CURRENT</b>		
Sundry Deposits and Bonds	-	<u>5,761,532</u>
<b>12b. Borrowings</b>		
	<b>Actual</b>	Actual
	<b>2016/17</b>	2015/16
<b>CURRENT</b>		
	\$	
Debentures - Secured by Floating Charge	<u>2,500,000</u>	<u>2,593,138</u>
<b>NON CURRENT</b>		
Debentures - Secured by Floating Charge	<u>20,000,000</u>	<u>23,150,036</u>
Additional detail on borrowings is provided in Note 22.		

NOTES TO THE ACCOUNTS.				
<b>13. Provisions</b>				
	Actual 2016/17	Actual 2015/16		
<b>CURRENT</b>	<b>\$</b>	<b>\$</b>		
Provision for Annual Leave	4,144,905	3,312,104		
Provision for Long Service Leave	2,451,508	2,113,784		
	<b>6,596,413</b>	<b>5,425,888</b>		
<b>NON CURRENT</b>				
Provision for Long Service Leave	1,949,439	1,874,457		
Provision for Site Rehabilitation	17,008,153	16,517,533		
	<b>18,957,592</b>	<b>18,391,990</b>		
	<b>Provision for Annual Leave</b>	<b>Provision for Long Service Leave</b>	<b>Provision for Site Rehabilitation</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening balance as at 1 July 2016	3,312,104	3,988,241	16,517,533	23,817,879
Net movement	832,801	412,706	490,620	1,736,127
Balance at 30 June 2017	<b>4,144,905</b>	<b>4,400,947</b>	<b>17,008,153</b>	<b>25,554,006</b>

<b>NOTES TO THE ACCOUNTS.</b>			
<b>14. Reserves</b>			
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<b>2016/17</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CASH BACKED RESERVES</b>			
<b>Staff Payments &amp; Entitlements</b>			
Opening Balance	2,115,293	2,133,594	2,049,042
Transfer from Accumulated Surplus - Interest	45,778	45,068	49,774
Transfer from Accumulated Surplus	119,822	119,822	110,000
Transfer to Accumulated Surplus	(333,262)	(162,000)	(93,523)
	<b>1,947,631</b>	<b>2,136,484</b>	<b>2,115,293</b>
This Reserve provides for payment of various staff entitlements including separation, bonus, awards and other payments made to Staff either through contractual or statutory entitlement, other than leave liabilities already provided for within the City's net asset position			
<b>Plant &amp; Vehicle Replacement</b>			
Opening Balance	8,252,372	6,527,521	7,416,121
Transfer from Accumulated Surplus - Interest	165,730	105,975	163,062
Transfer from Accumulated Surplus	2,966,421	2,949,690	2,802,657
Transfer to Accumulated Surplus	(4,013,350)	(2,967,350)	(2,129,467)
	<b>7,371,172</b>	<b>6,615,836</b>	<b>8,252,372</b>
This Reserve provides for the orderly replacement of plant and vehicles. Annual transfers into this Reserve are equivalent to the depreciation charge for plant each year. Funds are drawn as required to meet annual plant replacement costs.			
<b>Information Technology</b>			
Opening Balance	379,658	259,123	279,795
Transfer from Accumulated Surplus - Interest	7,747	8,082	6,913
Transfer from Accumulated Surplus	100,000	100,000	100,000
Transfer to Accumulated Surplus	(197,350)	(50,000)	(7,050)
	<b>290,055</b>	<b>317,205</b>	<b>379,658</b>
This Reserve Fund was set up to provide for the upgrading/replacement of Council's computer hardware and software depreciated over five years. An amount equivalent to the annual depreciation charge for computers is transferred to the Reserve each year. Funds are drawn as required to cover capital computer replacement costs.			
<b>Major Building Refurbishment</b>			
Opening Balance	9,828,567	9,706,691	5,452,406
Transfer from Accumulated Surplus - Interest	224,591	133,850	127,269
Transfer from Accumulated Surplus	1,620,328	1,500,000	4,928,686
Transfer to Accumulated Surplus	(100,000)	-	(679,794)
	<b>11,573,486</b>	<b>11,340,541</b>	<b>9,828,567</b>
This Reserve Fund provides funding for future major refurbishment of Council buildings as they become necessary. Annual transfers are usually made to this Reserve from any end of year surplus.			
<b>Waste &amp; Recycling</b>			
Opening Balance	23,846,752	23,007,894	21,330,958
Transfer from Accumulated Surplus - Interest	329,115	348,847	524,843
Transfer from Accumulated Surplus	1,271,022	1,949,433	2,233,448
Transfer to Accumulated Surplus	(12,280,992)	(9,325,000)	(242,497)
	<b>13,165,896</b>	<b>15,981,173</b>	<b>23,846,752</b>
This Reserve Fund was initially set up for the funding of capital costs associated with the development of a rubbish disposal site. It was recognised that land would be expensive to purchase and the stringent environmental standards required would result in high development costs. Transfers to this Reserve are made based on planned future capital funding requirements.			
<b>Land Development and Investment Fund Reserve</b>			
Opening Balance	6,348,831	14,799,330	5,605,100
Transfer from Accumulated Surplus - Interest	101,680	251,777	170,717
Transfer from Accumulated Surplus	11,141,607	240,095	3,679,491

	Actual 2016/17	Budget 2016/17	Actual 2015/16
	\$	\$	\$
Transfer to Accumulated Surplus	(13,414,353)	(5,060,000)	(3,106,478)
	<b>4,177,766</b>	<b>10,231,202</b>	<b>6,348,831</b>
<p>This Reserve Fund is to accommodate and facilitate the purchase, development and disposal of land under the Council's land development strategies with the ability to loan funds on an interest payable basis to other reserve funds of the City.</p>			
<b>Roads &amp; Drainage Infrastructure</b>			
Opening Balance	8,159,206	2,593,975	3,207,854
Transfer from Accumulated Surplus - Interest	246,952	64,880	79,162
Transfer from Accumulated Surplus	5,754,502	4,250,000	4,876,387
Transfer to Accumulated Surplus	(173,277)	(3,500,000)	(4,197)
	<b>13,987,382</b>	<b>3,408,855</b>	<b>8,159,206</b>
<p>The purpose of this Reserve Fund is to provide for the renewal and refurbishment of roads and drainage infrastructure and for the provision of matching funds for Federal &amp; State Government road grants.</p>			
<b>Naval Base Shacks</b>			
Opening Balance	935,871	969,751	828,752
Transfer from Accumulated Surplus - Interest	21,428	22,969	20,206
Transfer from Accumulated Surplus	120,376	158,696	103,088
Transfer to Accumulated Surplus	-	-	(16,176)
	<b>1,077,675</b>	<b>1,151,416</b>	<b>935,871</b>
<p>This Reserve Fund was initially set up to provide funds for the development &amp; refurbishment of the Naval Base Chalet Resort. It is envisaged that it will also fund rehabilitation costs required to be incurred when the Park reverts back to the State Government. Annual transfers to this Reserve are fully funded by part of the lease income derived from the chalet sites.</p>			
<b>Community Infrastructure</b>			
Opening Balance	12,096,036	11,229,764	6,211,519
Transfer from Accumulated Surplus - Interest	264,703	109,782	153,500
Transfer from Accumulated Surplus	4,504,636	1,304,636	5,798,831
Transfer to Accumulated Surplus	(3,655,111)	(4,520,000)	(67,814)
	<b>13,210,265</b>	<b>8,124,182</b>	<b>12,096,036</b>
<p>This Reserve Fund was set up to fund the provision of community and recreation facilities within the City as the need arises. The requirement for these facilities over the next five to ten years is significant due to the rapid rate of development within the city and the associated population growth.</p>			
<b>Insurance</b>			
Opening Balance	488,961	504,509	389,322
Transfer from Accumulated Surplus - Interest	9,737	8,090	9,639
Transfer from Accumulated Surplus	14,500	-	100,000
Transfer to Accumulated Surplus	(185,000)	-	(10,000)
	<b>328,198</b>	<b>512,599</b>	<b>488,961</b>
<p>Council's Workers Compensation cover is provided by Municipal Workcare, which is a self-insurance scheme. If at a future date claims exceed income, then Council will be required to contribute further funds towards any deficit. These funds are held so that any additional contributions will not impact on the annual budget.</p>			
<b>Greenhouse Action Fund</b>			
Opening Balance	901,331	478,171	636,855
Transfer from Accumulated Surplus - Interest	16,195	10,330	14,378
Transfer from Accumulated Surplus	1,450,000	1,450,000	361,660
Transfer to Accumulated Surplus	(2,017,608)	(195,000)	(111,562)
	<b>349,919</b>	<b>1,743,501</b>	<b>901,331</b>
<p>This Reserve will be used to purchase carbon offsets and fund projects to support energy efficiency, waste management and renewable energy installations.</p>			
<b>Development Contribution Plans</b>			



	Actual 2016/17	Budget 2016/17	Actual 2015/16
	\$	\$	\$
Opening Balance	6,497,765	8,255,151	6,525,157
Transfer from Accumulated Surplus - Interest	156,723	104,795	178,621
Transfer from Accumulated Surplus	1,003,258	1,741,922	2,729,985
Transfer to Accumulated Surplus	(113,563)	(149,590)	(2,935,998)
	<u>7,544,182</u>	<u>9,952,278</u>	<u>6,497,765</u>

This Reserve was established for the management of contributions and costs with respect to Development Contribution Areas as established by and in accordance with Town Planning Scheme 3.

#### Family Day Care Accumulation Fund

Opening Balance	8,295	-	-
Transfer from Accumulated Surplus - Interest	187	-	-
Transfer from Accumulated Surplus	-	-	8,295
Transfer to Accumulated Surplus	-	-	-
	<u>8,482</u>	<u>-</u>	<u>8,295</u>

This Reserve is fully funded from the operating grants received by the Family Day Care service and thus has no effect on the Municipal Fund.

#### Aged and Disabled Asset Replacement Reserve

Opening Balance	326,947	172,895	430,493
Transfer from Accumulated Surplus - Interest	5,285	8,628	8,160
Transfer from Accumulated Surplus	68,129	-	60,317
Transfer to Accumulated Surplus	(177,168)	(17,000)	(172,023)
	<u>223,193</u>	<u>164,523</u>	<u>326,947</u>

This Reserve is fully funded from the operating grants received by various services and thus has no effect on the Municipal Fund.

#### Welfare Projects Employee Entitlements

Opening Balance	479,810	454,366	432,255
Transfer from Accumulated Surplus - Interest	10,971	10,933	10,582
Transfer from Accumulated Surplus	15,671	13,000	124,280
Transfer to Accumulated Surplus	(47,249)	-	(87,306)
	<u>459,203</u>	<u>478,299</u>	<u>479,810</u>

This is a Reserve Fund that applies to grant funded welfare services. It is fully funded from the operating grants received by the service and thus has no effect on the Municipal Fund.

#### HWRP Post Closure Management & Contaminated Sites

Opening Balance	2,322,695	2,089,461	2,488,919
Transfer from Accumulated Surplus - Interest	52,361	47,780	59,914
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	(15,401)	(100,000)	(226,138)
	<u>2,359,654</u>	<u>2,037,241</u>	<u>2,322,695</u>

This Reserve is required to cover costs associated with the HWRP post closure management plan and any remediation works at contaminated sites within the district as enforced by the Contaminated Sites Act.

#### Municipal Elections

Opening Balance	34,213	14,027	51,009
Transfer from Accumulated Surplus - Interest	984	2,681	(890)
Transfer from Accumulated Surplus	120,000	120,000	150,000
Transfer to Accumulated Surplus	-	-	(165,905)
	<u>155,198</u>	<u>136,708</u>	<u>34,213</u>

This Reserve has been established to provide funding to cover election expenses during election years. An amount will be transferred into this reserve in non-election years.

#### Welfare Redundancies

Opening Balance	40,825	39,839	39,839
Transfer from Accumulated Surplus - Interest	923	797	986
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	-	-	-

	Actual 2016/17	Budget 2016/17	Actual 2015/16
	\$	\$	\$
	<b>41,748</b>	<b>40,636</b>	<b>40,825</b>
This Reserve was created for the purpose of covering potential future redundancy costs for grant funded services, as funding agreements do not usually allow for these costs.			
<b>Port Coogee Special Maintenance - SAR</b>			
Opening Balance	1,400,129	1,325,909	1,224,733
Transfer from Accumulated Surplus - Interest	29,760	26,794	27,554
Transfer from Accumulated Surplus	256,936	274,000	341,727
Transfer to Accumulated Surplus	(439,984)	(308,509)	(193,885)
	<b>1,246,841</b>	<b>1,318,194</b>	<b>1,400,129</b>
This Reserve was established to manage the funds raised through the specified area rate for the Port Coogee development. These funds are required for the specialised maintenance requirements of the development. The City commenced rating issued lots in 2008/09.			
<b>Port Coogee Waterways WEMP Reserve No. 1</b>			
Opening Balance	-	-	-
Transfer from Accumulated Surplus - Interest	35,418	40,372	-
Transfer from Accumulated Surplus	2,464,768	2,100,000	-
Transfer to Accumulated Surplus	(203,192)	(253,192)	-
	<b>2,296,993</b>	<b>1,887,180</b>	<b>-</b>
This Reserve was established to manage the funds paid by the developer of the Port Coogee marina development in accordance with the Waterways Environmental Management Plan (WEMP). The funds will be used to maintain and manage the marina.			
<b>Public Open Space (POS) Cash in Lieu Trust</b>			
Opening Balance	5,471,641	5,256,925	5,485,916
Transfer from Accumulated Surplus - Interest	53,833	108,937	134,863
Transfer from Accumulated Surplus	96,000	-	452,457
Transfer to Accumulated Surplus	(5,621,474)	-	(601,594)
	<b>-</b>	<b>5,365,862</b>	<b>5,471,641</b>
This Reserve was established in 2009/10 for holding Council's public open space cash in lieu trust funds. These funds were transferred into the City's Trust Fund during 2016/17 following audit query and legal advice.			
<b>Community Surveillance Levy Reserve</b>			
Opening Balance	1,245,490	1,229,695	1,481,926
Transfer from Accumulated Surplus - Interest	27,369	22,594	35,866
Transfer from Accumulated Surplus	200,000	200,000	-
Transfer to Accumulated Surplus	(375,117)	(334,000)	(272,301)
	<b>1,097,742</b>	<b>1,118,289</b>	<b>1,245,490</b>
This Reserve was established to fund activities in relation to Community Surveillance			
<b>Community Infrastructure – Development Contributions Reserve</b>			
Opening Balance	10,361,258	8,567,662	16,479,668
Transfer from Accumulated Surplus - Interest	218,853	220,238	264,337
Transfer from Accumulated Surplus	4,644,522	5,000,000	6,465,284
Transfer to Accumulated Surplus	(9,260,186)	(40,473)	(12,848,030)
	<b>5,964,447</b>	<b>13,747,427</b>	<b>10,361,258</b>
This reserve has been established to account for the funds generated from the proposed Community Infrastructure Developer Contributions Scheme. Subject to ministerial approval, funds could commence flowing during 2011/12.			
<b>Waste Collection</b>			
Opening Balance	2,641,530	1,566,660	1,055,070
Transfer from Accumulated Surplus - Interest	50,763	63,366	26,656
Transfer from Accumulated Surplus	1,027,352	1,638,621	1,681,022
Transfer to Accumulated Surplus	(1,282,018)	(1,010,000)	(121,219)
	<b>2,437,627</b>	<b>2,258,647</b>	<b>2,641,530</b>
This reserve is to provide funding for future capital requirements related to the Waste Collection service.			



	Actual 2016/17	Budget 2016/17	Actual 2015/16
	\$	\$	\$
<b>Naval Base Leaseholder Dwelling Removal</b>			
Opening Balance	461,814	456,167	397,285
Transfer from Accumulated Surplus - Interest	10,533	10,217	9,836
Transfer from Accumulated Surplus	54,693	54,693	54,693
Transfer to Accumulated Surplus	(202)	-	-
	<u>526,838</u>	<u>521,077</u>	<u>461,814</u>
Established for the purposes of the future removal of leasehold dwellings at Reserve 24308, Naval Base. All funds raised are to be accounted for on a property lease by lease basis, and not on who paid the actual payment at the time of the payment. Funds raised will be reimbursed to leaseholders when dwelling is removed and the site rehabilitated to its prior state.			
<b>Underground Power - SAR</b>			
Opening Balance	222,504	208,864	550,927
Transfer from Accumulated Surplus - Interest	5,029	-	13,640
Transfer from Accumulated Surplus	-	-	1,030,000
Transfer to Accumulated Surplus	(227,532)	-	(1,372,063)
	<u>-</u>	<u>208,864</u>	<u>222,504</u>
This Reserve is for managing the funds raised through prescribed service charges for the undergrounding of power within the district.			
<b>Environmental Offset</b>			
Opening Balance	291,595	284,550	284,550
Transfer from Accumulated Surplus - Interest	6,590	7,691	7,045
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	-	-	-
	<u>298,185</u>	<u>292,241</u>	<u>291,595</u>
Purpose of the reserve is to receive funds so as to undertake environmental rehabilitation of land associated with road construction as approved by the relevant government agency.			
<b>Bibra Lake Management Plan Reserve</b>			
Opening Balance	985,439	532,426	1,070,427
Transfer from Accumulated Surplus - Interest	16,491	10,648	25,644
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	(412,642)	(350,000)	(110,633)
	<u>589,288</u>	<u>193,074</u>	<u>985,439</u>
Purpose of the reserve is to receive funds so as to implement the Bibra Lake Management Plan as adopted by Council.			
<b>Restricted Grants &amp; Contributions Reserve</b>			
Opening Balance	2,230,479	2,077,647	5,569,838
Transfer from Accumulated Surplus - Interest	-	-	(4)
Transfer from Accumulated Surplus	3,514,786	-	2,247,700
Transfer to Accumulated Surplus	(2,159,798)	(5,102)	(5,587,055)
	<u>3,585,466</u>	<u>2,072,545</u>	<u>2,230,479</u>
Purpose of the reserve is to quarantine monies received for restricted purposes across financial years			
<b>CIHF Building Maintenance Reserve</b>			
Opening Balance	3,323,192	3,189,423	2,189,423
Transfer from Accumulated Surplus - Interest	84,023	-	61,178
Transfer from Accumulated Surplus	1,288,333	1,400,000	1,072,590
Transfer to Accumulated Surplus	(74,479)	(250,000)	-
	<u>4,621,068</u>	<u>4,339,423</u>	<u>3,323,192</u>
Purpose of the reserve is to provide funding for major building maintenance of the Cockburn Integrated Health Facility at Cockburn Central			
<b>Cockburn Central West Recreation Facility Reserve</b>			
Opening Balance	10,880,762	15,647,202	7,908,607

	Actual 2016/17	Budget 2016/17	Actual 2015/16
	\$	\$	\$
Transfer from Accumulated Surplus - Interest	125,909	53,000	301,076
Transfer from Accumulated Surplus	8,300,000	8,300,000	14,688,595
Transfer to Accumulated Surplus	(18,806,671)	(24,000,000)	(12,017,517)
	<b>500,000</b>	<b>202</b>	<b>10,880,762</b>
Purpose of the reserve is to manage funds for the development of the Cockburn Central West Recreation Facility.			
<b>Carry Forward Projects Reserve</b>			
Opening Balance	4,020,698	498,831	-
Transfer from Accumulated Surplus - Interest	-	-	-
Transfer from Accumulated Surplus	6,584,183	7,500,000	9,657,071
Transfer to Accumulated Surplus	(6,629,887)	-	(5,636,373)
	<b>3,974,994</b>	<b>7,998,831</b>	<b>4,020,698</b>
This reserve is to manage municipal funds for incomplete projects carried forward to the following financial year.			
<b>Port Coogee Waterways SAR Reserve</b>			
Opening Balance	-	-	-
Transfer from Accumulated Surplus - Interest	3,629	8,685	-
Transfer from Accumulated Surplus	188,590	188,590	-
Transfer to Accumulated Surplus	(79,742)	(79,742)	-
	<b>112,477</b>	<b>117,533</b>	<b>-</b>
Provide funding for the maintenance of the waterways surrounding Port Coogee marina and associated infrastructure. This is funded from the specified area rate levied on land directly adjacent to the waterways.			
<b>SUMMARY CASH BACKED RESERVES</b>			
Opening Balance	126,599,957	124,078,024	107,073,767
Transfer from Accumulated Surplus - Interest	2,329,289	1,857,806	2,484,527
Transfer from Accumulated Surplus	58,890,433	42,553,198	65,858,263
Transfer to Accumulated Surplus	(82,296,608)	(52,676,958)	(48,816,600)
<b>TOTAL CASH BACKED RESERVES</b>	<b>105,523,070</b>	<b>115,812,070</b>	<b>126,599,957</b>

NOTES TO THE ACCOUNTS.		
<b>15. REVALUATION SURPLUS</b>		
	Actual 2016/17	Actual 2015/16
	\$	\$
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
<b>Land</b>		
Opening Balance	118,679,531	118,679,531
Revaluation Increment/(Decrement)	(11,284,737)	-
	<b>107,394,794</b>	<b>118,679,531</b>
<b>Buildings</b>		
Opening Balance	22,405,632	22,405,632
Revaluation Increment/(Decrement)	456,022	-
	<b>22,861,653</b>	<b>22,405,632</b>
<b>Roads Infrastructure</b>		
Opening Balance	240,139,955	231,301,929
Revaluation Increment/(Decrement)	(68,511,262)	8,838,026
	<b>171,628,693</b>	<b>240,139,955</b>
<b>Drainage Infrastructure</b>		
Opening Balance	142,858,567	151,027,196
Revaluation Increment/(Decrement)	5,951,874	(8,168,629)
	<b>148,810,441</b>	<b>142,858,567</b>
<b>Landfill Infrastructure</b>		
Opening Balance	2,673,635	2,673,635
Revaluation Increment/(Decrement)	(74,939)	-
	<b>2,598,696</b>	<b>2,673,635</b>
<b>Footpath Infrastructure</b>		
Opening Balance	27,186,403	26,094,236
Revaluation Increment/(Decrement)	594,842	1,092,166
	<b>27,781,245</b>	<b>27,186,403</b>
<b>Parks Infrastructure</b>		
Opening Balance	21,488,638	16,059,750
Revaluation Increment/(Decrement)	963,841	5,428,888
	<b>22,452,479</b>	<b>21,488,638</b>
<b>TOTAL REVALUATION SURPLUS</b>	<b>503,528,001</b>	<b>575,432,360</b>
<b>SUMMARY OF REVALUATION SURPLUS</b>		
Opening Balance	575,432,360	568,241,909
Revaluation net increment/(decrement) made during the year	(71,904,359)	7,190,450
<b>TOTAL REVALUATION SURPLUS</b>	<b>503,528,001</b>	<b>575,432,360</b>



## NOTES TO THE ACCOUNTS

**16. Notes to Statement of Cash Flows**

	Actual 2016/17	Budget 2016/17	Actual 2015/16
	\$	\$	\$
<b>16a</b>			
<b>Reconciliation of Net Cash Provided by/(Used in) Operating Activities to Change in Net Assets Resulting from Operations.</b>			
Net Result	71,913,380	40,064,152	51,684,141
<b>Add (Less) non-cash items:</b>			
Depreciation	27,465,498	26,353,614	23,790,540
Amortisation	1,391,018	1,191,132	1,064,912
Finance Cost	490,620	-	-
(Profit)/Loss on Sale of Assets	(5,412,388)	(14,650)	(243,160)
Impairment charge provision	3,200,000	-	-
Assets Gifted to Other Parties	14,566,385	-	610,366
Employee entitlements provision	1,245,507	-	847,252
Accrued investment income	(274,568)	-	(240,026)
Joint Venture Investment	(497,115)	-	2,361,161
Recognition of infrastructure assets previously not recognised	(62,676,020)	-	(13,128,414)
<b>Less: Grants &amp; Contributions for the Development of Assets</b>	<b>(16,695,283)</b>	<b>(34,967,106)</b>	<b>(32,838,270)</b>
<b>Change in Assets and Liabilities:</b>			
[Increase]/Decrease in Rates Debtors & Deferred Rates	(573,416)	-	(763,440)
(Increase)/Decrease in Sundry Debtors	7,198,041	-	(7,649,031)
(Increase)/Decrease in Stock on Hand	19,320	-	(22,468)
Increase/(Decrease) in Creditors & Accruals	(14,822,444)	-	15,542,398
(Increase)/Decrease in Rubbish Debtors	17,536	-	119,717
Increase/(Decrease) on Income Received in Advance	597,526	-	-
(Increase)/Decrease in Prepayments	(195,569)	-	(94,310)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>26,958,027</b>	<b>32,627,142</b>	<b>41,041,367</b>
<b>16b</b>			
<b>Reconciliation of Cash</b>			
For the purpose of the Statement of Cash Flows, the entity considers cash to include Cash on Hand and in Banks and investments in Money Market Instruments. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows: -			
Cash at Bank	2,896,742	(17,163,264)	8,528,960
Cash on Hand	22,500	21,000	22,768
Term Deposits	112,476,840	132,027,325	143,002,272
<b>Cash &amp; Cash Equivalents at end of Reporting Period</b>	<b>115,396,082</b>	<b>114,885,061</b>	<b>151,554,000</b>
<b>16c</b>			
<b>Undrawn Borrowing Facilities</b>			
<b>Credit Standby Arrangements</b>			
Credit Card limit	250,000		250,000
Credit Card Balance at Balance Date	81,359		50,458
<b>Total Amount of Credit Unused</b>	<b>168,641</b>		<b>199,542</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

### 17. Investment in Joint Venture - SMRC

The City is a member of the Southern Metropolitan Regional Council (SMRC) and also a participant in the Regional Resource Recovery Centre (RRRC).

The RRRC is controlled by a regional local government established in accordance with the Local Government Act 1995. The regional local government being the SMRC, consists of six local governments of which five are participants in the RRRC.

Participating Local Governments are required to contribute an annual fee to cover the capital cost in the establishment of the facility and pay gate fees for each tonne of waste they deliver to the facility to cover the operating costs. The capital costs for each participating Local Government member is based on the Australian Bureau of Statistics population statistics. Each project participant will develop equity in the project equal to the relevant proportion of the total capital loan repayments made by that project participant. The City of Cockburn's interest in the RRRC is 42.97 per cent.

The City of Cockburn has guaranteed, by way of agreement, its share of the Loan Liability to the SMRC and the Western Australian Treasure Corporation (funding body). The City of Cockburn's share of the outstanding loan liabilities of RRRC at 30 June 2017 is \$8,388,860 (audited). The City of Cockburn's share of the outstanding loan liability for the SMRC Admin Building at 30 June 2017 is \$671,220 (audited)

	2016/17 Actual \$ (audited)	2015/16 Actual \$ (audited)
The City's share in the net assets of the SMRC (excluding equity) Equity Ratio	5,426,885	5,215,229
Represented by Share of Joint Venture entity's Financial		
Current Assets	6,414,370	5,784,371
Non Current Assets	11,817,202	12,840,615
<b>Total Assets</b>	<u>18,231,572</u>	<u>18,624,986</u>
Current Liabilities	6,872,233	5,375,605
Non Current Liabilities	4,766,348	7,156,223
<b>Total Liabilities</b>	<u>11,638,581</u>	<u>12,531,828</u>
<b>Net Assets</b>	<u>6,592,991</u>	<u>6,093,158</u>
<b>Net Increase/(Decrease) in Equity - SMRC Joint Venture</b>	<u>499,833</u>	

#### City of Cockburn's withdrawal from the Regional Resource Recovery Centre (RRRC) Project

The City has withdrawn from the RRRC Project Participants' Agreement, which became effective from 30 June 2017 following a 12 month notice period. The City's withdrawal triggered a requirement under the RRRC Project Participant's Agreement to prepare an amended business plan for the Project, having regard to the effect of the City's withdrawal. The Deed of Variation to the Project Participant's Agreement also required the SMRC to determine the City's proportional entitlement to any net surplus or deficit on the basis of a notional winding up of the Project. However, any assets and liabilities relating to RRRC Loan Borrowings are to be excluded from the notional winding up calculation.

The SMRC have facilitated the preparation of an amended business plan showing an estimated sum payable by the City to the SMRC of \$381,154 based on the notional winding up of the RRRC Project at 30 June 2017. The City does not concur with all the cost items and assumptions used in the calculation and is seeking for these to be reviewed. The City's equity share in the assets of the RRRC will be adjusted in 2017-18 only once the amended business plan has been accepted by the City and the subsequent impact of the notional winding up on the City's equity share determined.

In accordance with the RRRC Project Participants' Agreement, the City will continue to be responsible for its share of RRRC borrowing repayments until fully repaid or satisfied. The City will also be entitled to any proportional equity in assets acquired from the related borrowing, when this is fully repaid or satisfied.



## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

**18. Contingent Liabilities****(a) Regional Resource Recovery Centre- Lending Facility**

Council is a participant in the Regional Resource Recovery Centre Joint Venture. The project was established through the Southern Metropolitan Regional Council (SMRC) and involves the cities of Canning, Cockburn, Fremantle, Melville and the Town of East Fremantle in the development of a waste processing plant and a recyclable and green waste facility at Canning Vale.

The capital construction of the facility is funded by borrowings from Western Australian Treasury Corporation. A \$40 million lending facility was initially set up for this purpose, repayable over a term of 20 years. This facility has since been extended to a total of \$55 million. The SMRC administer the borrowings and the project participants make quarterly contributions equal to the repayment costs of these borrowings.

The Council's estimated share of the project funding is based upon population percentages as derived from the Australian Bureau of Statistics census. These are now revised yearly over the life of the loan. Council's share in the 2016/17 year is 42.97%.

As at 30th June 2017, the balance outstanding against the lending facility stood at \$19,522,597 with Council's share of this liability being \$8,388,860 (calculated using the percentage of 42.97%).

Council's annual contribution towards the repayment of interest and principal on the lending facility is currently around \$1.62 million (approx. \$40 per household).

Council has guaranteed by way of agreement its share of the loan liability to the SMRC and the Western Australian Treasury Corporation (funding body).

**(b) SMRC Administration Building - Lending Facility**

As a SMRC participant, Council has guaranteed by way of security to the Western Australian Treasury Corporation, a charge over its' general funds for its' share of any outstanding debenture borrowings provided for the SMRC administration building at 9 Aldous Place Booragoon. This facility has a limit of \$2 million.

As at 30th June 2017, the balance outstanding against this facility stood at at \$1,800,000 with Council's share of this liability being \$671,220 (using the current cost/profit sharing percentage of 37.29%).

**(c) ATO GST Audit - Unimproved Land Sales**

The Australian Taxation Office (ATO) instigated an audit into the City's GST treatment of unimproved land sales made during the period 1 September 2009 to 30 September 2013. Specifically, it investigated the City's application of the margin scheme to land sales made under Item 4 of subsection 75-10(3) of the GST Act and whether the City correctly accounted for the GST attributable to these sales. The audit completed in December 2014 found that the City had not correctly accounted for GST on these land sales by a shortfall of \$782,747. This finding was premised on the ATO's view that some of the land had been improved prior to 1 July 2000 (mainly through land clearing) and that this had enhanced the value of the land compared to its natural state. However, the City's tax advisor's position is that the ATO have erred with their interpretation of the facts and is currently acting on behalf of the City (and several other clients with similar issues) in responding to the ATO's audit findings.

Upon advice, the City entered the ATO's Alternative Dispute Resolution (ADR) process that was developed to resolve issues in respect of 'land on which there are no improvements', applicable for section 38-445 and Item 4 of subsection 75-10(3) of the A New Tax System (Goods and Services Tax) Act 1999. However, the ATO has since advised the City on the 29 June 2017 that they have determined the majority of the land sales under audit to now be considered unimproved. This has reduced the potential maximum liability for the City from the previous audit finding of \$782,747 to approximately \$150,000. This amount is the potential net impact from 11 lot sales still being reviewed by the ATO if they are subsequently determined to be improved. However, the City and its advisor are confident that the ATO will also determine the majority of these lots to be unimproved, resulting in only a negligible or no liability.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT		
<b>19. Capital &amp; Leasing Commitments</b>		
<u>Capital Commitments</u>		
At the reporting date, Council had the following commitments remaining for major purchases:		
	2017	2016
	\$	\$
Contracted for:		
Capital expenditure projects	5,772,499	33,589,504
Plant & equipment purchases	800,924	2,537,759
	<u>6,573,423</u>	<u>36,127,263</u>
<u>Operating Leasing Commitments</u>		
Non-cancellable operating leases contracted for but not capitalised in the financial report		
	Actual 2016/17	Actual 2015/16
<b>Payable:</b>	\$	\$
Not later than 1 year	672,405	599,046
Later than 1 year but not later than 5 years	870,010	610,834
Later than 5 years	-	-
	<u>1,542,415</u>	<u>1,209,880</u>



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT						
<b>20a. Assets Classified by Function</b>						
<i>Total Assets Classified by Function and Activity</i>						
			Actual		Actual	
			2016/17		2015/16	
			\$		\$	
General Purpose Funding			52,901,714		56,990,186	
Governance			28,570,090		28,965,663	
Law, Order and Public Safety			2,018,520		2,364,945	
Health			1,883,193		2,042,004	
Education and Welfare			2,530,174		2,332,666	
Community Amenities			40,974,561		74,126,965	
Recreation and Culture			106,298,632		196,060,761	
Transport			630,293,449		685,238,718	
Economic Services			1,866,912		3,939,698	
Other Property and Services			352,906,834		189,666,947	
<b>Total</b>			<b>1,220,244,078</b>		<b>1,241,728,554</b>	
<b>20b. Disposal of Assets</b>						
	Net Book Value		Sale Price		Profit/Loss	
	Actual	Budget	Actual	Budget	Actual	Budget
	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17
	ProgramBookVal	ProgramBookVal	ProgramProceeds	ProgramProceeds		
<i>BY FUNCTION</i>						
Governance	-	-	-	-	-	-
Law, Order and Public Safety	-	-	30,625	-	30,625	-
Health	-	-	-	-	-	-
Education and Welfare	-	-	31,800	12,000	31,800	12,000
Community Amenities	-	-	-	-	-	-
Recreation and Culture	271,825	-	-	-	(271,825)	-
Transport	747,989	800,000	1,057,252	832,150	309,263	32,150
Economic Services	-	-	-	-	-	-
Other Property and Services	6,071,773	450,000	11,384,298	420,500	5,312,525	(29,500)
<b>Total</b>	<b>7,091,587</b>	<b>1,250,000</b>	<b>12,503,975</b>	<b>1,264,650</b>	<b>5,412,388</b>	<b>14,650</b>
<i>BY ASSET CLASSIFICATION</i>						
Land	5,546,315	-	10,881,819	-	5,335,504	-
Buildings	271,825	-	-	-	(271,825)	-
Infrastructure - Parks Equipment	-	-	-	-	-	-
Furniture and Equipment	-	-	-	-	-	-
Computers	-	-	-	-	-	-
Plant and Equipment	1,273,447	1,250,000	1,622,156	1,264,650	348,709	14,650
<b>Total</b>	<b>7,091,587</b>	<b>1,250,000</b>	<b>12,503,975</b>	<b>1,264,650</b>	<b>5,412,388</b>	<b>14,650</b>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT									
20c. Control Over Contributions									
Funding Bodies	Purpose	Function	Opening Balance (1) 1/07/15	Received 2015/16	Expended 2015/16	Closing Balance (1) 30/06/16	Received 2016/17	Expended 2016/17	Closing Balance 30/06/17
Alcoa Kwinana Refinery	Operating grant for delivering services	Recreation & Culture	-	10,000.00	-	10,000.00	-	-	10,000.00
Community Sports and Recreation	Operating grant for delivering services	-	-	-	-	-	200,000.00	28,280.00	171,720.00
Department Child Protection	Operating grant for delivering services	Education & Welfare	-	-	-	-	79,120.65	-	79,120.65
Department Child Protection and Family Support	Operating grant for delivering services	Education & Welfare	91,322.53	282,698.91	331,247.50	42,773.94	218,271.96	207,008.24	54,037.66
Department Local Government and Communities	Operating grant for delivering services	Education & Welfare	22,757.16	416,392.28	393,111.01	46,038.43	463,981.03	469,550.61	40,468.85
Department of Attorney General	Operating grant for delivering services	Education & Welfare	-	7,702.01	7,702.01	-	-	-	-
Department of Child Protection	Operating grant for delivering services	Education & Welfare	-	-	-	-	191,511.13	145,103.61	46,407.52
Department of Corrective Services	Operating grant for delivering services	Education & Welfare	7,258.97	135,765.33	140,290.47	2,733.83	13,870.36	16,604.19	-
Department of Education and Training	Operating grant for delivering services	Education & Welfare	20,655.96	2,999,444.19	3,004,954.49	15,145.66	4,396,925.45	4,409,833.16	2,237.95
Department of Education Employee & Workplace	Operating grant for delivering services	Education & Welfare	175.32	-	175.32	-	-	-	-
Department of Fire and Emergency Services	Operating grant for delivering services	Law, Order & Public Safety	16,984.84	238,550.00	255,534.84	-	-	-	-
Department of Health	Operating grant for delivering services	Education & Welfare	7,779.50	1,681,073.00	1,688,766.42	86.08	1,739,237.00	1,684,324.74	54,998.34
Department of Infrastructure and Regional Development	Capital grants for roads constructions	Transport	2,172,524.42	1,998,968.00	4,171,492.42	-	1,961,436.00	-	1,961,436.00
Department of Local government	Operating grant for delivering services	Law, Order & Public Safety	-	-	-	-	-	-	-
Department of Sports and Recreation	Operating grant for delivering services	Governance	-	151,086.30	151,086.30	-	-	-	-
Department of Parks & Wildlife Community & Regional Parks	Operating grant for delivering services	Recreation & Culture	-	-	-	-	100,000.00	-	100,000.00
Department of Social Services	Operating grant for delivering services	Education & Welfare	36,034.40	334,522.57	321,373.62	49,183.35	330,808.99	282,806.06	97,186.28
Disability Services Commission	Operating grant for delivering services	Education & Welfare	-	-	-	-	-	-	-
Department of Transport	Operating grant for coastal and adaptation study	Recreation & Culture	117,061.57	157,512.11	148,959.11	125,614.57	176,237.00	232,707.74	69,143.83
Fremantle Dockers Football Club	Developer contribution for building construction	Governance	-	-	-	-	-	-	-
Disability Services Commission	Operating grant for delivering services	Education & Welfare	-	23,640.00	21,383.00	2,257.00	447,623.48	342,218.23	107,662.25
Fremantle Ports	Operating grant for delivering services	Recreation & Culture	2,856.84	10,162.41	8,000.00	5,019.25	10,000.00	4,000.00	11,019.25
Healthway	Operating grant for delivering services	Education & Welfare	-	-	-	-	5,000.00	5,000.00	-
Hope Community Services	Operating grant for delivering services	Education & Welfare	-	-	-	-	55,807.00	55,807.00	-
Main Roads WA	Operating grant for delivering services	Transport	889,303.10	1,972,001.00	1,242,888.92	1,618,415.18	2,887,800.57	4,210,019.07	296,196.68
Medicare Australia	Operating grant for delivering services	Health	6,963.61	-	6,963.61	-	-	-	-
Ngala and Parenting Research Centre	Operating grant for delivering services	Education & Welfare	128.75	10,680.00	9,697.84	1,110.91	7,920.00	7,559.44	1,471.47
Private contributions	Operating grant for delivering services	Education & Welfare	65,427.82	323,941.86	157,607.88	231,761.80	159,186.14	157,820.47	233,127.47
Public Transport Authority of WA	Capital grant for bus stop construction	Transport	-	-	-	-	-	-	-
State Emergency Management Committee	Operational grants for bushfire prevention	Law, Order & Public Safety	-	45,000.00	33,843.65	11,156.35	25,000.00	34,833.33	1,323.02
State Natural Resource Management Office	Operating grant for delivering services	Community Amenities	8,836.15	10,000.00	8,836.15	10,000.00	-	9,090.92	909.08
Western Australian Local Government Association (WALGA)	Capital grant for building construction	Recreation & Culture	-	63,636.36	4,454.10	59,182.26	28,272.64	86,454.90	1,000.00
Western Australian Planning Commission (WAPC)	Operating grant for environmental services	Recreation & Culture	-	-	-	-	-	-	-
Western Australian Police	Capital grants for CCTV implementation and operating grants for delivering services	Law, Order & Public Safety	-	-	-	-	-	-	-
Stockland WA Development	Capital grants for roads constructions	Transport	-	-	-	-	246,000.00	-	246,000.00
<b>Grand Total</b>			<b>3,466,070.94</b>	<b>12,980,940.89</b>	<b>14,216,533.22</b>	<b>2,230,478.61</b>	<b>13,744,009.40</b>	<b>12,389,021.71</b>	<b>3,585,466.30</b>

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

## 21. FINANCIAL RATIOS

	2017	2016	2015
Current Ratio	1.432	1.211	1.869
Asset Sustainability Ratio	1.442	1.399	0.378
Debt Service Cover Ratio	9.533	20.631	16.625
Operating Surplus Ratio	0.078	0.049	-0.002
Own Source Revenue Ratio	0.971	1.003	0.898

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted current assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$
Own Source Revenue Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

## ADDITIONAL FINANCIAL RATIOS

The following information relates to those ratios which only require an attestation they have been checked and are supported by verifiable information.

	2017	2016	2015
Asset Consumption Ratio	0.689	0.714	0.712
Asset Renewal Funding Ratio	0.729	0.741	0.767

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciated assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planned capital renewals over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

## 22. Information on Borrowings

Debenture Repayments

Particulars/Purpose	Principal 1 July 2016 \$	Interest Rate	Maturity Date	Principal Repayments		Principal		Interest Repayments	
				Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Law Order &amp; Public Safety</b> To assist fund the Emergency Services Head Quarters in Cockburn Central (FESA Funded)	743,174	4.29%	4 June 2023	743,174	743,174	0	0	74,521	74,521
<b>Recreation &amp; Culture</b> To assist fund the Cockburn Central West development	25,000,000	2.96%	27 June 2026	2,500,000	2,500,000	22,500,000	22,500,000	891,969	855,479
<b>Total</b>	<b>25,743,174</b>			<b>3,243,174</b>	<b>3,243,174</b>	<b>22,500,000</b>	<b>22,500,000</b>	<b>966,490</b>	<b>930,000</b>

Unspent Debentures

There is no unspent debenture as at 30 June 2017.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

23a. Statement of Rating Information for Year Ended 30 June 2017

	NON-MINIMUM					MINIMUMS					TOTALS			
	Qty	Rateable value \$	Rate in \$	Yield \$	Budget 2016-2017	Qty	Rateable Value \$	Amount \$	Yield \$	Budget 2016-2017	Qty	Rateable Value \$	Yield \$	Budget 2016-2017
<b>GRV</b>														
Commercial Caravan Parks	2	1,778,244	0.0950000	168,933	168,933			744			2	1,778,244	168,933	168,933
Residential Improved	27,694	629,618,828	0.0725000	45,647,365	45,612,066	11861	184,144,548	1,281	15,193,941	15,215,718	39,555	813,763,376	60,841,308	60,827,783
Residential - Vacant	1,420	25,232,450	0.0939100	2,369,579	2,371,435	1,380	8,249,504	744	1,026,720	1,026,720	2,800	33,481,954	3,396,299	3,398,155
Comm & Industrial - Improved	2,445	196,647,518	0.0755000	14,846,888	14,823,920	210	1,432,033	744	156,240	156,240	2,655	198,079,551	15,003,128	14,980,160
Comm & Industrial - Vacant	201	16,067,857	0.0939100	1,508,932	1,520,906	14	45,900	744	10,416	10,416	215	16,113,757	1,519,348	1,531,322
Large Comm & Industrial - Improved	53	123,257,530	0.0805800	9,932,092	9,932,092			744			53	123,257,530	9,932,092	9,932,092
Jandakot Airport - Standard	1	15,391,137	0.0755000	1,162,031	1,162,031			744			1	15,391,137	1,162,031	1,162,031
Jandakot Airport - Major	1	25,416,000	0.0805800	2,048,021	2,048,021			744			1	25,416,000	2,048,021	2,048,021
<b>UV</b>														
Rural - Vacant Land	55	78,174,000	0.0039100	305,660	282,044	2	184,000	906	1,812	1,812	57	78,358,000	307,472	283,856
Rural General	260	211,502,100	0.0025300	535,100	544,790	15	2,560,763	906	13,590	9,966	275	214,062,863	548,690	554,756
<b>Total Rates Levied</b>	<b>32,132</b>	<b>1,323,085,664</b>		<b>78,524,602</b>	<b>78,466,238</b>	<b>13,482</b>	<b>196,616,748</b>		<b>16,402,719</b>	<b>16,420,872</b>	<b>45,614</b>	<b>1,519,702,412</b>	<b>94,927,323</b>	<b>94,887,109</b>
Interim Rates - GRV & UV													2,877,008	2,369,726
Rates Received in Advance													152,341	-
Residential Improved - Concessions				(1,619,510)									(1,619,510)	(1,556,835)
<b>Total General Rates</b>	<b>32,132</b>	<b>1,323,085,664</b>		<b>76,905,092</b>	<b>78,466,238</b>	<b>13,482</b>	<b>196,616,748</b>		<b>16,402,719</b>	<b>16,420,872</b>	<b>45,614</b>	<b>1,519,702,412</b>	<b>96,337,163</b>	<b>95,700,000</b>

23b. Specified Area Rates for Year Ended 30 June 2017

	Rate in \$	Basis of Rate	Qty	Rateable Value \$	Yield \$	Interim Rate Revenue \$	Budget 2016-2017 \$	Applied to Costs \$	Budget Applied to Costs \$
Port Coogee Special Maintenance	0.012	GRV	770	21,907,640	262,892	10,594	274,000	273,485	175,919
Port Coogee Waterways	0.012	GRV	56	4,106,800	49,282	(9,831)	56,000	39,451	56,000
<b>Total Specified Area Rates</b>			<b>826</b>	<b>26,014,440</b>	<b>312,173</b>	<b>763</b>	<b>330,000</b>	<b>312,936</b>	<b>231,919</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

**24. Prescribed Service Charges****Property Surveillance & Security**

Section 6.38 of the Local Government Act 1995 allows Council to

Amount of each service charge:	\$67.00
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	Actual 2016/17	Budget 2016/17
Total amount of revenue collected from service charge for reporting year:	0	0
<b>Add: Amount of funds b/f from previous year for unspent service charges</b>	1,245,490	1,245,490
<b>Less: Amount of total funds applied during the reporting year in meeting the costs of the service provided by Wilson Parking Australia were:</b>	1,245,490	1,245,490
Amount of funds un-applied as at 30 June 2017 (carried forward into the following year to meet future service costs).	0	0

**25. Fees and Charges**

	Actual 2016/17	Actual 2015/16
	\$	\$
General Purpose Funding	778,231	558,828
Governance	18,586	18,648
Law Order & Public Safety	651,096	605,392
Health	303,848	278,509
Education & Welfare	1,480,154	1,477,301
Community Amenities	9,907,490	11,685,204
Recreation & Culture	3,767,169	3,540,358
Transport	217,574	323,379
Economic Services	2,039,149	2,118,305
Other Property & Services	3,189,998	1,467,055
	22,353,295	22,072,981

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**

**26. Interest Charges, Administration Fees and Instalments**

	Interest Rate	Admin Fee	Actual 2016/17	Actual 2015/16
	%	\$	\$	\$
Administration Fee		5.00	270,113	256,341
Penalty Interest	7.00	-	229,449	253,474
Instalment Interest	3.50	-	349,316	375,225
			<b>848,878</b>	<b>885,040</b>

**Payment by Instalments**

Council offered instalment payment options of either two or four payments. The first instalment (inclusive of any arrears) had to be paid in full by the due date. Failure to pay the first instalment by the due resulted in the forfeiture of the instalment payment option. Ratepayers had the following options for paying their rates:

**(a) Pay in full by 2 September 2016**

**(b) Pay in four instalments due:**

1. 2 September 2016
2. 4 November 2016
3. 6 January 2017
4. 10 March 2017

**Administration Fees**

The Rates Instalment Fee is \$5 per instalment.

**Special Payment Arrangements**

Ratepayers who were unable to pay their account in full or according to the instalment plans offered were able to make special payment arrangements to extinguish their debt. A separate administration fee of \$20.00 was charged for these arrangements. Penalty interest was applied at the rate of 7% to any outstanding balance.

**Instalment Interest**

The Local Government Act allows for interest to be charged on overdue amounts. The Council charged interest at the rate of 3.5% on outstanding rates for the year under review. This charge covered the opportunity cost of lost income on investment that would otherwise be received had the instalment options not been exercised. The maximum rate of interest allowed to be imposed on outstanding amounts under S6.45(4)(e) of the Local Government Act is 5.5%

**Penalty Interest - Rates**

Penalty interest was levied where payment in full or the first instalment was not received within thirty-five days of the issue of the rate notice. The rate charged was 7% pa on the daily balance. The maximum rate of interest allowed to be imposed on overdue rates and service charges under S6.51(1) of the Local Government Act is 11%.

**Penalty Interest - FESA**

The Minister for Emergency Services deemed the penalty interest rate for 2016/17 to be 7% on outstanding balances. Interest was levied where payment in full or the first instalment was not received within thirty-five days of the issue of the rate notice.



<b>NOTES TO AND FORMING PART OF THE FINANCIAL REPORT</b>			
<b>27. GRANT REVENUE</b>			
	<b>Actual</b>	Budget	Actual
	<b>2016/17</b>	2016/17	2015/16
	\$	\$	\$
Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:			
<i>By Nature or Type:</i>			
Operating Grants, Subsidies and Contributions	13,752,463	9,357,649	8,057,274
Non-Operating Grants, Subsidies and Contributions	11,063,443	23,245,184	23,618,162
	<b>24,815,906</b>	<b>32,602,833</b>	<b>31,675,436</b>
<i>By Program:</i>			
General Purpose Funding	9,901,179	3,824,591	1,897,775
Governance	2,202,389	13,580,000	17,551,996
Law Order & Public Safety	972,425	248,852	401,447
Community Amenities	2,094,756	5,072,799	6,121,801
Recreation & Culture	1,278,094	4,371,184	527,952
Other Property & Services	8,367,063	5,505,407	5,174,464
	<b>24,815,906</b>	<b>32,602,833</b>	<b>31,675,436</b>
<b>28. Number of Employees</b>			
	<b>Actual</b>	<b>Actual</b>	
	<b>2016/17</b>	<b>2015/16</b>	
	<b>No.</b>	<b>No.</b>	
Number of full-time equivalent (FTE) employees as at balance date:	<b>497</b>	<b>483</b>	
<b>29. Superannuation</b>			
	<b>Actual</b>	Actual	
	<b>2016/17</b>	2015/16	
	\$	\$	
Contributory	708,621	615,464	
S.G. Occupational	4,303,471	3,677,906	
	<b>5,012,092</b>	<b>4,293,370</b>	



## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

**30. Financial Risk Management**

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management 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 the finance area under policies approved by the Council.

	<u>Carrying Value</u>		<u>Est. Fair Value</u>	
	<u>Actual</u> <u>2016/17</u>	<u>Actual</u> <u>2015/16</u>	<u>Actual</u> <u>2016/17</u>	<u>Actual</u> <u>2015/16</u>
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	115,387,367	151,554,000	115,387,367	151,554,000
Held-to-maturity investments	4,920,136	4,692,838	4,920,136	4,692,838
Receivables	7,753,566	14,395,728	7,753,566	14,395,728
	<u>128,061,068</u>	<u>170,642,566</u>	<u>128,061,068</u>	<u>170,642,566</u>
<b>Financial Liabilities</b>				
Borrowings	22,500,000	25,743,174	17,250,175	19,261,071
Payables	9,381,006	29,367,456	9,381,006	29,367,456
	<u>31,881,006</u>	<u>55,110,630</u>	<u>26,631,181</u>	<u>48,628,527</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings, Held-to-Maturity Investments – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

**(a) Risk Assessment - Cash & Cash Equivalents and Investments**

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with investments is price risk – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

Cash and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns.

Another risk associated with cash and investments is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	<u>Actual</u> <u>2016/17</u>	<u>Actual</u> <u>2015/16</u>
	\$	\$
Impact of a 5% (*) movement in price of investments:		
- Equity	240,763	230,007
- Income Statement	240,763 (+)	230,007
Impact of a 0.5% (*) movement in interest rates on cash and investments:		
- Equity	776,632	769,875
- Income Statement	776,632 (+)	769,875

(\*) Sensitivity percentages based on management's expectation of future possible market movements.

Recent market volatility has seen large market movements for certain types of investments.

(+) Maximum impact.

**(b) Receivables**

Council's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Council manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land – 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 payment.

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

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

## 30. Financial Risk Management

	Actual 2016/17	Actual 2015/16
Percentage of Rates and Annual Charges		
- Current	28%	29%
- Overdue	72%	71%
Percentage of Other Receivables		
- Current	93%	93%
- Overdue	7%	7%

## (c) Payables &amp; Borrowings

Payables and borrowings are both subject to liquidity risk – that is 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 be extended and overdraft facilities drawn upon if required.

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Total carrying value \$
<b>2017</b>					
Borrowings	2,500,000	10,000,000	10,000,000	27,159,750	22,500,000
Payables	9,381,006	0	-	9,381,006	9,381,006
	<u>11,881,006</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>36,540,756</u>	<u>31,881,006</u>
<b>2016</b>					
Borrowings	2,593,138	10,414,725	12,735,311	29,788,028	25,743,174
Payables	23,605,924	5,761,532	-	29,367,456	29,367,456
	<u>26,199,062</u>	<u>16,176,257</u>	<u>12,735,311</u>	<u>59,155,484</u>	<u>55,110,630</u>

## (d) Interest Rate Risk Profile

The City is exposed to interest rate risk through primary financial assets and liabilities. The following table summaries interest rate risk for the City, together with the effective interest rates as at 30th June 2017.

	Fixed Interest Rate Maturity					Non-Interest Bearing		Total \$
	Average Interest Rate %	Floating Interest Rate \$	Less than 1 Year \$	1 to 5 Years \$	More than 5 Years \$	More than 5 Years \$	Non-Interest Bearing \$	
<b>2016/17</b>								
<b>Financial Assets</b>								-
Cash	1.25	2,919,242						2,919,242
Direct Securities	2.61			1,078,644			3,841,492	4,920,136
FRN's & TD's	2.94		112,468,125					112,468,125
Receivables	2.48	858,657					6,894,909	7,753,566
<b>Total</b>		<b>3,777,899</b>	<b>112,468,125</b>	<b>1,078,644</b>	-	-	<b>10,736,401</b>	<b>128,061,069</b>
<b>Financial Liabilities</b>								
Borrowings	3.66		2,500,000	10,000,000	10,000,000			22,500,000
Accounts Payable							9,381,006	9,381,006
Deposits/Bonds	1.50							-
<b>Total</b>		-	<b>2,500,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	-	<b>9,381,006</b>	<b>31,881,006</b>

The following table provides comparatives as at 30<sup>th</sup> June 2016:

	Fixed Interest Rate Maturity					Non-Interest Bearing		Total \$
	Average Interest Rate %	Floating Interest Rate \$	Less than 1 Year \$	1 to 5 Years \$	More than 5 Years \$	More than 5 Years \$	Non-Interest Bearing \$	
<b>2015/16</b>								
<b>Financial Assets</b>								-
Cash	1.75	8,551,728						8,551,728
Direct Securities	2.85			1,108,599		3,584,239		4,692,838
FRN's & TD's	2.92		143,002,272					143,002,272
Receivables	2.64	738,851					13,656,877	14,395,728
<b>Total</b>		<b>9,290,579</b>	<b>143,002,272</b>	<b>1,108,599</b>	-	<b>3,584,239</b>	<b>13,656,877</b>	<b>170,642,566</b>
<b>Financial Liabilities</b>								
Borrowings	2.94		2,593,138	10,414,725	12,735,311			25,743,174
Accounts Payable							23,605,924	23,605,924
Deposits/Bonds	2.00			394,475			5,367,057	5,761,532
<b>Total</b>		-	<b>2,593,138</b>	<b>10,809,200</b>	<b>12,735,311</b>	-	<b>28,972,981</b>	<b>55,110,630</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

**31. Elected Members Remuneration**

	Actual 2016/17	Budget 2016/17	Actual 2015/16
	\$	\$	\$
The following fees, expenses and allowances were paid to councillors and the mayor:			
Meeting Fees	336,490	329,318	324,284
Vehicle Mileage Claims	11,853	10,000	5,243
Mayoral/Deputy Mayoral Allowances	103,675	111,080	109,437
Communication Expenses	37,955	45,000	42,494
	<b>489,973</b>	<b>495,398</b>	<b>481,458</b>

**32. Economic Dependency**

A significant portion of Council's revenue is received by way of grants from the State and Federal Government.

	Actual 2016/17	Budget 2016/17	Actual 2015/16
	\$	\$	\$
The total of grant revenue from Government sources	<b>24,815,906</b>	32,602,833	31,675,436

**33. Events after the Reporting Date****City of Cockburn's withdrawal from the Regional Resource Recovery Centre (RRRC) Project**

The City withdrew from the RRRC Project Participants' Agreement, which became effective from 30 June 2017. This triggered a requirement for the SMRC to determine the City's proportional entitlement to any net surplus or deficit on the basis of a notional winding up of the Project. The SMRC have since facilitated the preparation of an amended business plan for this purpose, showing an estimated sum payable by the City to the SMRC of \$381,154. The City does not concur with all the cost items and assumptions used in the calculation and is seeking for these to be reviewed. The City's equity share in the assets of the RRRC will only be adjusted once the amended business plan has been accepted by the City and the subsequent impact of the notional winding up on the City's equity share determined. Further information on the City's withdrawal from the RRRC Project Participants' Agreement can be found at note 17 (Investment in Joint Venture – SMRC).

**Gifting of South Lake Leisure Centre building assets**

In May 2016, the City entered into a deed of agreement with the Minister for Education for the decommissioning and surrender of building assets associated with the South Lake Leisure Centre located upon land controlled by the Education Department. The deed required the City to complete decommissioning works before the Minister would accept vacant possession of the land. The Minister has since issued a certificate of practical completion for the works and taken vacant possession of the land and structures in September 2017. Accordingly, the City booked an impairment charge of \$3.2M for the WDV of the building assets as at 30 June 2017 (see note 9b).

**34. Major Land Transactions**

The City did not participate in any major land transactions during the 2016/17 financial year.

**35. Trading Undertakings and Major Trading Undertakings**

The City did not participate in any trading undertakings or major trading undertakings during the 2016/17 financial year.

**36. Trust Funds**

Funds held at balance date over which the City has no control and which are not included in the financial statements are as follows

	Opening Balance 1		Closing Balance 30	
	July 2016	Amounts Received	Amounts Paid	June 2017
	\$	\$	\$	\$
Bonds and Deposits	5,761,532	7,354,393	(7,730,812)	5,385,113
Public Open Space	-	5,845,276	-	5,845,276
	<b>5,761,532</b>	<b>13,199,669</b>	<b>(7,730,812)</b>	<b>11,230,389</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

### Note 37 – Fair Value Measurement

The City of Cockburn measures the following assets at fair value on a recurring basis after initial recognition:

- Financial Assets at fair value through profit or loss
- Land and Buildings
- Plant & Machinery
- Computer Equipment
- Furniture and Equipment
- Roads
- Footpaths
- Drainage
- Landfill Infrastructure
- Parks Equipment

The following table provides the fair values of the City of Cockburn's assets measured and recognized on a recurring basis after initial recognition and their categorization within the fair value hierarchy:

#### Recurring Fair Value Measurements

Non-Financial Assets - 30 June 2017	Note	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Land	9(b)		82,632,800		82,632,800
Buildings	9(b)		16,300	217,296,560	217,312,860
Furniture and Equipment	9(b)			1,870,689	1,870,689
Computer Equipment	9(b)			598,759	598,759
Plant & Machinery	9(b)		15,302,627		15,302,627
Roads	10(b)			351,679,674	351,679,674
Footpaths	10(b)			41,062,238	41,062,238
Drainage	10(b)			204,129,170	204,129,170
Landfill Infrastructure	10(b)			21,769,439	21,769,439
Parks Equipment	10(b)			46,204,657	46,204,657
Port Coogee Marina Infrastructure	10(b)			51,662,441	51,662,441

Non-Financial Assets - 30 June 2016	Note	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Land	9(b)		98,010,600		98,010,600
Buildings	9(b)		306,458	125,177,694	125,484,152
Furniture and Equipment	9(b)			274,162	274,162
Computer Equipment	9(b)			810,037	810,037
Plant & Machinery	9(b)		11,523,089		11,523,089
Roads	10(b)			410,433,627	400,433,627
Footpaths	10(b)			40,824,214	40,824,214
Drainage	10(b)			196,855,604	196,855,604
Landfill Infrastructure	10(b)			22,823,280	22,823,280
Parks Equipment	10(b)			44,392,917	44,392,917



**37 (a). Transfers Policy**

The policy of the City of Cockburn is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period. There was a transfer of Level 3 for recurring fair value measurements during the year.

**37 (b). Highest and Best Use**

All assets have been valued at their highest and best use, that being their current use.

**37 (c). Valuation techniques used to derive fair values:**

The fair values of financial and non-financial assets that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council specialised buildings assets, which are of a specialist nature and where there is no active market for the assets.

The following table summarises the valuation inputs and techniques used to determine the fair value for each asset class.

Asset	Level of Valuation Input	Fair Value at 30 June 2017 (\$)	Valuation Technique(s)	Inputs Used
Land	2	82,632,800	Market Approach	Price per square metre
Buildings	2	16,300	Market Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
Buildings	3	217,296,560	Cost Approach	
Furniture & Equipment	3	1,870,689	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Computers & Equipment	2	598,759	Cost Approach	Make, size, year of manufacture and condition
Plant & Machinery	2	15,302,627	Market Approach	Make, size, year of manufacture and condition
Roads	3	351,679,674	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable



Footpaths	3	41,062,238	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Drainage	3	204,129,170	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Landfill	3	21,769,439	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Parks Equipment	3	46,204,657	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Port Coogee Marina Infrastructure	3	51,662,441	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
<b>Total</b>		1,034,225,354		

#### Recurring Fair Value Measurements

The City's land, building and landfill infrastructure assets were revalued as at 30 June 2017 by independent valuers AssetVal Pty Ltd. These were valued on the basis that the entity intended to retain these assets for a continuous use for the purposes of the enterprise and for the foreseeable future. The Valuer had regard to assessing the value of the assets in their existing use and ensuring the highest and best use, noting that the current use of an asset is presumed to be its highest and best use unless market or other factors suggest a different use would maximise its value.

The following methods were used to determine the fair value measurements.

#### Land

Where there is an active and liquid market as evidenced by sales transactions of similar property types, a Market Approach by way of Direct Comparison or Income methods can be utilised, and are accepted valuation methodologies under AASB13. If a Market Approach is adopted, the valuation is deemed to be a Level 2 input.

Direct Comparison method which is considered a Level 2 input on the Fair Value Hierarchy, involves the analysis of sales evidence and comparisons with the subject land taking into account matters such as area, location and other general site characteristics. We note the Direct Comparison approach has been utilised in our assessment for all Land Assets, however the fair value measurement has been either a Level 2 or 3, depending on assumptions as to:

- Whether the land is subject to restrictions as to use and/or sale;
- Whether there is no active market.

If these assumptions apply to the land, we have measured the expected Fair Value as a Level 3. However if an active market could be established and there were no unreasonable restrictions as to use and/or sale, we have deemed the measurement to be a Level 2. Land carrying a Community or Park Recreation zoning, land that is utilised for Community uses (and not zoned 'Community'), access strips, or due to its general characteristics land that has no observable active market, have been assessed as a Level 3.

The valuation techniques used to measure fair value maximised the use of observable data where it was available and relied as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

For assets valued under Level 3, the unobservable input is the rate per square metre applied to the asset.

### **Buildings**

Where there is an active and liquid market as evidenced by sales transactions of similar property types, the Market Approach by Direct Comparison, Income or Summation methods can be utilised, and is an accepted valuation methodology under AASB13. If a Market Approach is adopted, the building valuation is deemed to be a Level 2 input.

Direct Comparison and Summation methods involve the analysis of sales evidence and comparisons with the subject taking into account matters such as method of construction, size, condition, age, land area and location. The land value is subtracted from the Market Value of the property to measure the asset Fair Value.

The Income approach is applied to income producing properties and includes the capitalisation of net income method, or for multi-income stream assets, a discounted cash flow approach. The capitalisation method involves capitalising the estimated net income of the property at an appropriate capitalisation rate (net yield) that has been determined through the analysis of sales evidence.

Due to the predominantly specialised nature of Local Government Assets, most of the buildings valuations have been undertaken on a Cost Approach (Depreciated Replacement Cost) valuation, an accepted valuation methodology under AASB13. The cost approach is deemed a Level 3 Input. Under this approach, the following process has been adopted:

- Where there is no depth of market as determined for the Council assets, the net current value of an asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees. This is considered a Level 2 input.
- A condition assessment is applied, which is based on factors such as the age of the asset, overall condition as noted by the Valuer during inspection, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied. The conditions assessed are considered a Level 3 input.
- In determining the level of accumulated depreciation, in some instances residual values have been factored into the calculations, which is the value at the time the asset is considered to be no longer available. The residual values applied are considered a Level 3 input.

While the replacement cost of the assets could be supported by market supplied evidence (level 2), the other unobservable inputs (such as estimates of residual value, useful life, and asset condition) were also required (level 3).

### **Landfill Infrastructure**

Where there is an active and liquid market as evidenced by sales transactions of similar property types, the Market Approach by Direct Comparison, Income or Summation methods can be utilised, and is an accepted valuation methodology under AASB13. If a Market Approach is adopted, the asset valuation is deemed to be a Level 2 input.

The Fair Value should represent the highest and best use of the asset, i.e. the use of the asset that is physically possible, legally permissible, financially feasible, and which results in the highest value. Opportunities that are not available to the agency or entity are not considered. In this case we have assumed the current use is the highest and best use due to the specialist nature of the assets.

Due to the predominantly specialised nature of Local Government Assets, the landfill valuations have been undertaken on a Cost Approach (Depreciated Replacement Cost), an accepted valuation methodology under AASB13. The cost approach is deemed a Level 3 Input. Under this approach, the following process has been adopted:

- Where there is no depth of market as determined for the Council assets, the net current value of an asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees. This is considered a Level 2 input.
- A condition assessment is applied, which is based on factors such as the age of the asset, overall condition, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied. The conditions assessed are considered a Level 3 input.
- In determining the level of accumulated depreciation for major assets, we have disaggregated into significant components which exhibit different patterns of consumption (useful lives). Residual value is also factored which is the value at the time the asset is considered to be no longer available. The condition assessment is applied on a component basis.
- While the replacement cost of the assets could be supported by market supplied evidence (level 2), the other unobservable inputs (such as estimates of residual value, useful life, and asset condition) were also required (level 3).

The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics.

The landfill infrastructure assets were segregated into Storage, Monitoring, Water Supply, Fixed Plant, Plant & Equipment and Site works; Water supply and Site works assets were further componentized. Unit rates and lump sums were applied based on similar recent project costs, unit rate databases, indices, Rawlinson's Construction Handbook and quotations, these rates were reviewed by council staff. Raw Costs were increased up to 27% depending on project complexity to allow for project overheads including survey, environmental and investigation costs, engineering design, planning and project management.

A site inspection was carried out as part of the valuation process. However none of the sub-surface assets were inspected due to their inaccessible nature.

#### **Plant & Machinery, Computer Equipment and Furniture & Equipment**

These classes of assets were revalued in June 2016 through a management review in order to comply with the mandatory requirements of Reg. 17A of the Local Government (Financial Management) Regulations. The additions since that time are shown at cost and given their level of currency, it is deemed the written down values approximate fair values.

Most plant and equipment assets are generally valued using the market and cost approach using comparable sales and relevant industry market price reference guides, and have been classified as being valued at Level 2 of the fair value hierarchy. The most significant inputs into this valuation approach are the make, size, year of manufacture and condition.

Level 3 valuation inputs were used to determine the fair value of the City's furniture and equipment. The valuation methodology was determined having regard to the lack of a market and sales evidence, and the level of specialisation of the assets.

#### **Infrastructure Assets (Roads, Footpaths, Drainage, Parks)**

In accordance with AASB13 and legislative requirements, the City carried out internal management revaluations of its Roads, Footpaths, Drainage, Parks/Environment, Signs, and Lighting & Fences infrastructure assets as at 30 June 2017. These valuations were completed using the Cost Approach (Depreciated Replacement Cost), an accepted valuation methodology under AASB13. The cost approach is deemed a Level 3 Input.

The valuations were coordinated, developed and prepared in-house and formed by establishing unit rates for infrastructure replacement that consider labour, overhead costs and materials.

The unit rates are agreed by reviewing multiple sources as outlined below:

- Current contract rates from the City of Cockburn's contract management system.
- Rawlinsons Australian Construction Handbook 2014.
- Internal knowledge from key operational stakeholders.

- Current charge out rates for internal labour activities.

The Condition profile of the City's infrastructure assets is measured using a 1 to 5 rating. This rating affects the remaining life of the asset and has been considered in preparing the valuations.

Road surface and footpath data is considered to have an accuracy level of 95% and all roads and footpaths have been segmented from intersection to intersection. The data recorded against each section includes surface area, surface type, date of construction and condition. The City undertook a full road surface and footpath condition assessment audit with Opus during late 2016.

Data is held for all storm water drainage assets including pits, pipes and sumps, and the pit type, pipe material and length and sump size and material. Where the construction year is unknown, this was assumed to be the same year as the road construction date. The data held for the storm water infrastructure is considered to have 85% accuracy. To improve this accuracy level and to validate the City's database an audit of the City's pits and pipes storm water assets was commissioned in 2013 and was completed within two years. A condition assessment audit of the entire sump fencing was undertaken in 2012 by the Asset Services team, which also clarified any uncertainty of the material types. Sump fencing was included in the revaluation of Fences.

Parks & Environment Hard infrastructure data is currently considered to have an accuracy level of 95% and Signs, lighting & fences infrastructure data is currently considered to have an accuracy level of 90% and is held in the operational asset register. A full data pick up of all park and environment assets was undertaken in August 2012 (parks) and March 2013 (environment) by Opus. All assets were condition rated and documented on an individual asset basis (e.g. a single park bench) and each has been given a unique asset number. This data is recorded in the operational asset register.

The rates used for the Parks data were obtained from Parks Service unit. When newly constructed assets were considered the actual construction rates were used.

### 37 (d) Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the statement of financial position, but their fair values are disclosed in the notes:

- Borrowings

The following table provides the level of fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used:

Description	Note	Fair Value Hierarchy Level	Valuation Technique(s)	Inputs Used
<b>Liabilities</b>				
Borrowings	12(b)	2	Income approach using discounted cash flow methodology	Current commercial borrowing rates for similar instruments

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the notes to the financial statements.

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

**38. Related Party Transaction****Key Management Personnel (KMP) Compensation Disclosure**

	<b>Actual 2016/17</b>
The total of remuneration paid to KMP of the City during the year are as follows:	
Short-term employee benefits	1,790,243
Post-employment benefits	159,432
Other long-term benefits	(69,663)
	<b>1,880,012</b>

**Short-Term Employee Benefits**

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP. Details in respect to fees and benefits paid to elected members may be found at note 31.

**Post-Employment Benefits**

These amounts are the current-year's estimated cost of providing for the City's superannuation contributions made during the year.

**Other Long-Term Benefits**

These amounts represent long service benefits accruing during the year.

**Related Parties****The City's main related parties are as follows:***i. Key Management Personnel*

Any person(s) having authority and responsibility for planning, direct and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

*ii. Entities Subject to Significant Influence by the City*

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

*iii. Joint Venture Arrangements Accounted for Under the Equity Method*

The City has a one-third interest in an environmental health and building survey service. The interest in the joint venture arrangements is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture arrangements, refer to Note 17.

**38. Related Party Transaction****Transactions with Related Parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties:

	<b>Actual 2016/17</b>
	<hr/>
<b>Associated Companies/Individuals:</b>	
Sale of goods and services	-
Purchase of goods and services	-
<b>Joint Venture Entities:</b>	
Distributions received from joint venture entities	6,592,991
<b>Amounts Outstanding from Related Parties:</b>	
Trade and other receivables	-
Loans to associated entities	-
Loans to key management personnel	-
<b>Amounts Payable to Related Parties:</b>	
Trade and other payables	-
Loans from associated entities	-

Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT			
<b>39. Opening &amp; Closing Funds used in the Rate Setting Statement</b>			
	2016/17 (30 June 2016 Carried Forward)	2016/17 (30 June 2016 Brought Forward)	2015/16 (30 June 2015 Carried Forward)
	\$	\$	\$
<b>Surplus/(Deficit) - Rate Setting Statement</b>	<u>6,643,985</u>	<u>9,267,511</u>	<u>9,267,511</u>
<b>Comprises:</b>			
Cash and Cash Equivalents	115,396,082	151,554,000	151,554,000
Financial Assets - Current	3,841,492	-	-
Trade & Other Receivables	6,894,909	13,656,877	13,656,877
Other Assets	911,565	715,996	715,996
Inventories	21,782	41,102	41,102
	<u>127,065,830</u>	<u>165,967,975</u>	<u>165,967,975</u>
<b>Less:</b>			
Trade & Other Payables	(9,381,006)	(23,605,924)	(23,605,924)
Provisions	(6,596,413)	(5,425,888)	(5,425,888)
	<u>(15,977,419)</u>	<u>(29,031,812)</u>	<u>(29,031,812)</u>
<b>Net Current Assets</b>	<u>111,088,411</u>	<u>136,936,162</u>	<u>136,936,162</u>
<b>Less:</b>			
Restricted Financial Assets - Reserve Funds	(97,962,610)	(120,348,780)	(120,348,780)
Land Held for Re-sale			
Restricted Financial Assets - Deposits & Bonds	-	(5,761,532)	(5,761,532)
Committed Financial Assets (unspent grants & contributions)	(7,560,460)	(6,251,177)	(6,251,177)
	<u>(105,523,070)</u>	<u>(132,361,489)</u>	<u>(132,361,489)</u>
<b>Add:</b>			
Restricted Financial Assets held in Non Current Investments	1,078,644	4,692,838	4,692,838
<b>Surplus/(Deficit)</b>	<u>6,643,985</u>	<u>9,267,511</u>	<u>9,267,511</u>
<b>Difference:</b>			
There was no difference between the Surplus/(Deficit) 1 July 2016 Brought Forward position used in the 2017 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2016 audited financial report.			



<b>Statement of Comprehensive Income</b>			
<i>by Nature or Type</i>			
<b>for the Year Ended 30 June 2017</b>			
	Actual 2016/17	Budget 2016/17	Actual 2015/16
	\$	\$	\$
<b>OPERATING REVENUE</b>			
Rates	96,337,163	95,700,000	91,311,030
Specified Area Rates	312,936	330,000	341,727
Fees and Charges	22,353,295	24,368,500	22,072,981
Service Charges	440,700	450,000	1,066,477
Operating Grants and Subsidies	13,752,463	9,357,649	8,057,274
Contributions, Donations and Reimbursements	1,203,429	638,665	1,372,307
Interest Earnings	5,157,532	4,772,036	5,678,901
<b>Total Operating Revenue</b>	<b>139,557,517</b>	<b>135,616,850</b>	<b>129,900,696</b>
<b>OPERATING EXPENDITURE</b>			
Employee Cost	(52,132,049)	(48,822,391)	(47,084,154)
Materials and Contracts	(37,709,273)	(38,979,850)	(34,865,658)
Utilities	(4,748,358)	(4,684,525)	(4,363,875)
Interest Expenses	(966,490)	(930,000)	(85,602)
Insurances	(2,444,985)	(2,244,048)	(2,223,550)
Other Expenses	(7,810,268)	(7,328,893)	(7,976,582)
Depreciation on Non Current Assets	(27,465,498)	(26,353,614)	(23,790,540)
Finance Cost	(490,620)	-	-
Amortisation on Landfill Infrastructure	(1,391,018)	(1,191,132)	(1,064,912)
<b>Total Operating Expenditure</b>	<b>(135,158,559)</b>	<b>(130,534,453)</b>	<b>(121,454,871)</b>
<b>Increase/(Decrease)</b>	<b>4,398,958</b>	<b>5,082,396</b>	<b>8,445,825</b>
<b>NON-OPERATING ACTIVITIES</b>			
Non-Operating Grants, Subsidies and Contributions	11,063,443	23,245,184	23,618,162
Developers Contributions Plans: Cash	5,631,840	11,721,922	9,220,108
Gifted Subdivision Assets	62,676,020	-	13,128,414
Increase/(Decrease) in Equity - Joint Venture	499,833	-	(2,344,579)
Increase/(Decrease) in LG House Trust	(2,718)	-	(16,582)
Assets Gifted to Other Parties	(14,566,385)	-	(610,366)
Impairment Charge - Buildings	(3,200,000)	-	-
Profit on Sale of Assets	5,684,213	14,650	364,400
Loss on Sale of Assets	(271,825)	-	(121,241)
<b>Total Non-Operating Activities</b>	<b>67,514,422</b>	<b>34,981,756</b>	<b>43,238,316</b>
<b>NET RESULT</b>	<b>71,913,380</b>	<b>40,064,152</b>	<b>51,684,141</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes on revaluation of non-current assets	(71,904,359)	-	7,190,450
<b>Total Other Comprehensive Income</b>	<b>(71,904,359)</b>	<b>-</b>	<b>7,190,450</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>9,021</b>	<b>40,064,152</b>	<b>58,874,591</b>



<b>Statement of Comprehensive Income</b>			
<i>by program</i>			
	Actual	Budget	Actual
For the year ended 30 June 2017	2016/17	2016/17	2015/16
	\$	\$	\$
<b>REVENUES</b>			
<b>Revenue From Ordinary Activities</b>			
General Purpose Funding	108,691,413	105,371,974	100,301,439
Governance	165,070	131,550	231,074
Law Order & Public Safety	999,756	803,944	962,430
Health	336,647	260,500	309,815
Education & Welfare	8,886,134	6,417,260	7,049,298
Community Amenities	9,937,578	11,717,236	11,875,672
Recreation & Culture	4,300,089	5,018,140	4,101,359
Transport	219,702	315,000	522,125
Economic Services	2,045,897	2,325,503	2,120,142
Other Property & Services	3,975,230	3,255,743	2,427,343
<b>TOTAL OPERATING REVENUES</b>	<b>139,557,517</b>	<b>135,616,850</b>	<b>129,900,696</b>
<b>EXPENSES</b>			
General Purpose Funding	(1,854,910)	(1,569,505)	(1,165,505)
Governance	(9,950,052)	(11,445,157)	(10,153,011)
Law Order & Public Safety	(6,335,833)	(6,460,903)	(6,004,225)
Health	(2,340,611)	(2,466,674)	(2,454,667)
Education & Welfare	(15,231,102)	(13,138,099)	(13,228,316)
Community Amenities	(33,210,050)	(33,631,070)	(30,160,766)
Recreation & Culture	(33,531,641)	(30,634,527)	(28,531,696)
Transport	(26,399,596)	(26,567,806)	(25,497,265)
Economic Services	(2,618,309)	(2,564,698)	(2,504,795)
Other Property & Services	(3,686,454)	(2,056,014)	(1,754,625)
<b>Total Operating Expenditure</b>	<b>(135,158,559)</b>	<b>(130,534,453)</b>	<b>(121,454,871)</b>
<b>Increase/(Decrease)</b>	<b>4,398,958</b>	<b>5,082,396</b>	<b>8,445,825</b>
<b>NON-OPERATING GRANTS/CONTRIBUTIONS TOWARDS ASSETS: CASH</b>			
General Purpose Funding	4,136,093	85,557	89,267
Governance	2,082,135	18,079,999	17,437,563
Law Order & Public Safety	706,195	-	117,897
Education & Welfare	200,000	-	23,640
Community Amenities	(5,433,663)	-	603,645
Recreation & Culture	930,356	4,154,220	199,633
Transport	10,272,804	3,805,408	5,115,016
Economic Services	-	-	-
Other Property & Services	3,801,362	8,841,922	9,251,608
	<b>16,695,283</b>	<b>34,967,106</b>	<b>32,838,270</b>
Gifted Subdivision Assets	62,676,020	-	13,128,414
Assets Gifted to Other Parties	(14,566,385)	-	(610,366)
Increase/(Decrease) in Equity - Joint Venture	499,833	-	(2,344,579)
Increase/(Decrease) in LG House Trust	(2,718)	-	(16,582)
Impairment Charge - Buildings	(3,200,000)	-	-
<b>PROFIT/(LOSS) ON DISPOSAL OF ASSETS</b>			
Law Order & Public Safety	30,625	-	-
Education & Welfare	31,800	12,000	42,300
Recreation & Culture	(271,825)	-	(90,767)
Transport	309,263	32,150	283,348
Other Property & Services	5,312,525	(29,500)	8,278
	<b>5,412,388</b>	<b>14,650</b>	<b>243,160</b>
<b>NET RESULT</b>	<b>71,913,380</b>	<b>40,064,152</b>	<b>51,684,141</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes on revaluation of non-current assets	(71,904,359)	-	7,190,450
<b>Total Other Comprehensive Income</b>	<b>(71,904,359)</b>	<b>-</b>	<b>7,190,450</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>9,021</b>	<b>40,064,152</b>	<b>58,874,591</b>



<b>Statement of Financial Position</b>			
As at 30 June 2017	<b>Actual 2016/17</b>	Budget 2016/17	Actual 2015/16
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	115,396,082	114,885,061	151,554,000
Financial Assets - Current	3,841,492	-	-
Trade & Other Receivables	6,894,909	7,033,800	13,656,877
Other Assets	911,565	65,000	715,996
Inventories	21,782	13,700	41,102
<b>Total Current Assets</b>	<b>127,065,830</b>	<b>121,997,561</b>	<b>165,967,975</b>
<b>NON CURRENT ASSETS</b>			
Financial Assets - Non Current	1,202,453	4,813,070	4,819,364
Interests in Joint Ventures	6,592,991	8,437,737	6,093,158
Trade & Other Receivables	858,657	630,000	738,851
Property, Plant and Equipment	328,223,270	351,112,618	311,375,336
Infrastructure	740,089,224	714,640,302	736,216,337
Rehabilitation Assets	16,211,653	-	16,517,533
<b>Total Non Current Assets</b>	<b>1,093,178,248</b>	<b>1,079,633,727</b>	<b>1,075,760,579</b>
<b>TOTAL ASSETS</b>	<b>1,220,244,078</b>	<b>1,201,631,288</b>	<b>1,241,728,554</b>
<b>CURRENT LIABILITIES</b>			
Trade & Other Payables	9,381,006	2,225,000	23,605,924
Borrowings	2,500,000	2,597,175	2,593,138
Provisions	6,596,413	2,000,000	5,425,888
<b>Total Current Liabilities</b>	<b>18,477,419</b>	<b>6,822,175</b>	<b>31,624,950</b>
<b>NON CURRENT LIABILITIES</b>			
Other Payables	-	6,329,512	5,761,532
Borrowings	20,000,000	20,552,860	23,150,036
Provisions	18,957,592	6,544,855	18,391,990
<b>Total Non Current Liabilities</b>	<b>38,957,592</b>	<b>33,427,227</b>	<b>47,303,558</b>
<b>TOTAL LIABILITIES</b>	<b>57,435,012</b>	<b>40,249,402</b>	<b>78,928,508</b>
<b>NET ASSETS</b>	<b>1,162,809,067</b>	<b>1,161,381,886</b>	<b>1,162,800,045</b>
<b>EQUITY</b>			
Accumulated Surplus	553,757,996	477,327,907	460,767,729
Reserves - Cash/Investment Backed	105,523,070	115,812,070	126,599,957
Revaluation Surplus	503,528,001	568,241,909	575,432,360
<b>TOTAL EQUITY</b>	<b>1,162,809,067</b>	<b>1,161,381,886</b>	<b>1,162,800,045</b>

<b>Statement of Changes in Equity</b>			
	Actual	Budget	Actual
For the year ended 30 June 2017	2016/17	2016/17	2015/16
	\$	\$	\$
<b>RESERVES CASH/INVESTMENT BACKED</b>			
Balance at beginning of year	126,599,957	124,078,024	107,073,767
Transfer from accumulated surplus	61,219,722	44,411,004	68,342,790
Transfer to accumulated surplus	(82,296,608)	(52,676,958)	(48,816,600)
Balance at end of reporting period	<u>105,523,070</u>	<u>115,812,070</u>	<u>126,599,957</u>
<b>REVALUATION SURPLUS</b>			
Balance at beginning of year	575,432,360	568,241,909	568,241,909
Revaluation Increments during year	7,966,579	-	15,359,080
Revaluation Decrements during year	(79,870,938)	-	(8,168,629)
Balance at end of reporting period	<u>503,528,001</u>	<u>568,241,909</u>	<u>575,432,360</u>
<b>ACCUMULATED SURPLUS</b>			
Balance at beginning of year	460,767,729	428,997,800	428,609,779
Net result	71,913,380	40,064,152	51,684,141
Transfer from reserves	82,296,608	52,676,958	48,816,412
Transfer to reserves	(61,219,722)	(44,411,004)	(68,342,602)
Balance at end of reporting period	<u>553,757,996</u>	<u>477,327,907</u>	<u>460,767,729</u>
<b>TOTAL EQUITY</b>	<u><b>1,162,809,067</b></u>	<u><b>1,161,381,886</b></u>	<u><b>1,162,800,045</b></u>

<b>Statement of Cash Flows</b>			
<b>For the year ended 30 June 2017</b>	<b>Actual 2016/17</b>	<b>Budget 2016/17</b>	<b>Actual 2015/16</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee Cost	(50,886,542)	(48,822,391)	(46,236,902)
Materials and Contracts	(51,794,610)	(47,479,850)	(20,127,926)
Utilities	(4,748,358)	(4,684,525)	(4,363,875)
Interest Paid	(966,490)	(930,000)	(85,602)
Insurances	(2,444,985)	(2,244,048)	(2,223,550)
Other Expenses	(7,810,268)	(7,328,893)	(7,976,582)
GST on Payments	(13,367,790)	-	(10,657,073)
	<b>(132,019,043)</b>	<b>(111,489,707)</b>	<b>(91,671,509)</b>
<b>Receipts</b>			
Rates & Special Area Rates	96,076,683	96,030,000	90,889,316
Fees and Charges	27,947,790	27,368,500	16,128,057
Service Charges	440,700	450,000	1,066,477
Contributions, Donations and Reimbursements	1,203,429	638,665	1,372,307
Interest Received	4,882,964	4,772,036	5,438,875
Grants & Subsidies - Operating	13,752,463	9,857,649	8,057,274
Other Revenue/Income	597,526	-	-
GST on Receipts	3,648,584	-	2,973,834
GST Refunded by ATO	10,426,932	5,000,000	6,786,736
	<b>158,977,070</b>	<b>144,116,850</b>	<b>132,712,876</b>
<b>NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>26,958,027</b>	<b>32,627,142</b>	<b>41,041,367</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale on Non Current Assets	12,503,975	1,264,650	3,471,651
Purchase Furniture and Equipment	(1,758,457)	(33,808)	(6,105)
Purchase Computer Equipment	(943,781)	(484,800)	(294,621)
Purchase & Construction of Infrastructure Assets	(23,927,732)	(19,767,538)	(13,016,993)
Purchase Plant and Machinery	(7,925,137)	(5,791,000)	(3,537,490)
Purchase & Development of Land	(836,966)	-	(428,871)
Purchase & Construction of Buildings	(33,399,309)	(58,655,520)	(60,055,961)
Capital Grants, Subsidies & Contributions	11,110,713	-	-
Developer Contribution - Cash	5,631,840	-	-
Assets Gifted to Other Parties	(14,566,385)	-	(610,366)
<b>NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>	<b>(54,111,239)</b>	<b>(83,468,016)</b>	<b>(41,640,486)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net receipts/(refund) of bonds	(5,761,532)	-	(441,622)
Loan Principal Repayment	(3,243,174)	(2,593,138)	23,576,680
<b>NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>	<b>(9,004,706)</b>	<b>(2,593,138)</b>	<b>23,135,058</b>
Net Increase/(Decrease) In Cash during year	(36,157,918)	(18,466,906)	22,535,939
Cash & Cash Equivalents at Beginning of Reporting Period	151,554,000	133,351,966	129,018,060
<b>CASH &amp; CASH EQUIVALENTS AT END OF REPORTING PERIOD</b>	<b>115,396,082</b>	<b>114,885,061</b>	<b>151,554,000</b>



Certified Practising Accountants

## **City of Cockburn**



### Audit Completion Report to the Audit Committee For the Year Ended 30 June 2017

8 November 2017

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## 1. Executive Summary

Under the requirements of Australian Auditing Standard ASA 260: "*Communication with Those Charged with Governance*", we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Annual Audit Completion Report together with our previous External Audit Plan discharges the requirements of the Auditing Standard.

This report has been prepared for the Council via its Audit Committee to summarise the significant matters that have arisen from our year-end audit of the City of Cockburn for the year ended 30 June 2017.

### 1.1 Status of Audit

Our audit field work at the City of Cockburn for the financial year ended 30 June 2017 has been completed.

Before our Independent Auditor's Report is signed off and issued to the Council, the following outstanding matter is required to be attended to:

- Completion of audit procedures relating to Auditing Standard ASA 560 *Subsequent Events* to be performed up to the date of signing the Independent Auditor's Report.

### 1.2 Deliverables

Output	Timing
External Audit Plan	22 June 2017
Interim Audit Management Letter	28 June 2017
Present the Audit Completion Report to the Audit Committee	16 November 2017
Provide Independent Auditor's Report on the Financial Report	After recommendation of Financial Report by the Audit Committee



## 2. Financial Statements and Audit Opinion

### Audit Opinion

We have completed the audit of the City of Cockburn's accounts in line with current Australian Auditing Standards and will give an **Unqualified Opinion** [subject to subsequent events procedures] that the financial report of the City of Cockburn

- (a) gives a true and fair view of the financial position of the City of Cockburn as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards.

Refer to **Appendix 1** for our Proposed Draft Independent Auditor's Report

## 3. Current Year Areas of Audit Focus

Our audit procedures were focused on those areas of City of Cockburn's activities that are considered to represent the key audit risks identified in our external audit plan and through discussions with management during the course of our audit.

	Risk Area	Audit Response
1	Revaluation of Land and Buildings	<p>Regulation 17A(4) of the LG (Financial Management) Regulations 1996 requires Land and Building assets to be measured at fair value for the year ending 30 June 2017. The City of Cockburn's Land and Buildings asset classes were revalued at fair value by external valuers, AssetVal at 30 June 2017.</p> <p>Audit evaluated the professional competence and objectivity of the expert and the adequacy of the scope of the expert's work. We are satisfied that the expert is suitably independent of the Council, objective and experienced in undertaking this work.</p> <p>Audit procedures tested capital asset additions on a sample basis for accuracy to supporting documentation. Audit also reviewed the basis of the asset valuations (at fair value) undertaken and considered the judgements, assumptions and data used together with the reasonableness of any estimation techniques applied. Asset reconciliation schedules were verified against trial balance reported amounts.</p> <p>We have relied upon the values adopted by the external valuers.</p> <p>Results of the audit procedures conducted did not note any material misstatement of the land and building asset classes.</p>

2	Revaluation of Roads, Drainage, Footpaths, Parks Equipment, Refuse Site Infrastructure and Marina Infrastructure.	<p>The Refuse Site Infrastructure and Marina Infrastructure asset classes were valued by external valuers AssetVal at 30 June 2017.</p> <p>City of Cockburn also carried out an internal valuation of Roads, Drainage, Footpath and Park Equipment asset classes at 30 June 2017.</p> <p>Audit procedures tested capital asset additions on a sample basis for accuracy to supporting documentation. Audit also reviewed the basis of the asset valuations (at fair value) undertaken and considered the judgements, assumptions and data used together with the reasonableness of any estimation techniques applied. Asset reconciliation schedules were verified against trial balance reported amounts.</p> <p>We have relied upon the values adopted by the management.</p> <p>Results of the audit procedures conducted did not note any material misstatement of the infrastructure asset classes.</p>
3	Revenue Recognition	<p>Accounting Standards for Revenue and Contributions recognition prevent Councils from recording unexpended untied grants as a liability instead of revenue (grants and contributions received in advance)</p> <p>Audit procedures included substantiation and verification of cut – off procedures and assessment of whether treatment of revenue is consistent with Accounting Standards AASB 118 <i>Revenue</i> and AASB 1004 <i>Contributions</i>.</p>
4	Contingent Liabilities	<p>Audit procedures included discussions with management, review of council minutes and solicitor’s representation letters to identify the possible existence of contingencies which may require disclosure in the financial statements.</p> <p>At this date, we are satisfied with the current disclosure in the financial report.</p>
5	Related Party Disclosures	<p>AASB 12015-6 Amendments to Australian Accounting Standards – Extends Related Party Disclosures to Not – for – Profit Public Sector Entities. The objective of this Standard was to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not – for-profit sector entities.</p> <p>Audit Procedures included discussions with Management and review of supporting documentation in this regards.</p> <p>At this date, we are satisfied with the current disclosure in the financial report.</p>

We are satisfied that these key areas of focus have been addressed appropriately based on our audit procedures and are properly reflected in the City of Cockburn’s financial report.

## 4. Assessment of Internal Controls

Our interim phase of the audit indicated that the current internal control systems and processes are reasonable. They are designed adequately for City of Cockburn's current business operations.

However, a separate Interim Audit Management Letter has been provided to management following our interim audit which provides details of the internal control and compliance matters raised.

Our follow up indicates that the management comments for the interim audit visit conducted during the financial year ended 30 June 2017 have been fully implemented.

## 5. Key Findings During Final Phase of Audit

During our audit planning procedures and risk identification process, we identified a number of key focus areas as outlined in Section 3 above. In addition, during the course of our year-end fieldwork, other accounting and audit issue was noted. Our consideration of this matter is set out below.

We request that the Audit Committee review the matter below and satisfy themselves that:

- there are no other matters of which you are aware that would impact these issues;
- there are no other significant issues that ought to be considered before recommending the adoption of the financial statements to the Council; and
- you concur with the resolution of the issue as described below.

1	<b>Area: Asset Management Plans</b>
	<b>Recommendation</b>
	<p>Given the significant work undertaken in the revaluation of the City of Cockburn's Land and Buildings, Roads, Drainage, Footpaths, Park Equipment, Refuse Site Infrastructure and Marina Infrastructure assets during the financial year ended 30 June 2017, we recommend that Asset Management Plans for each asset class be reviewed and updated with the most recently acquired data collected to ensure all future projections of required capital maintenance and upgrades remain reliable for strategic decision making purposes.</p> <p>Updated projections from the Asset Management Plans should be factored into the City of Cockburn's Long Term Financial Plan estimates to ensure appropriate planning for future funding requirements are appropriately planned for and known.</p>

## 6. Specific Required Communications

The Australian Auditing Standard ASA 260: "Communication with Those Charged with Governance" requires the auditor to communicate certain matters to the Audit Committee that may assist them in overseeing management's financial reporting and disclosure process. Below we summarise these required communications as they apply to your organisation.

Reporting Requirement	Detailed Comments
Changes to Audit Approach Outlined in External Audit Plan	<ul style="list-style-type: none"> <li>➤ There were no changes to the audit approach outlined in the External Audit Plan.</li> </ul>
Significant accounting policies	<ul style="list-style-type: none"> <li>➤ Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Cockburn including new pronouncements adopted during the year, are described in Note 1 to the financial statements.</li> <li>➤ There were no significant changes in the application of existing policies during the year ended 30 June 2017. The accounting policies adopted in the financial statements are appropriately disclosed.</li> </ul>
Sensitive Accounting Estimates and Disclosures	Refer to "Current Year of Audit Focus" section
Misstatements and significant audit adjustments	<ul style="list-style-type: none"> <li>➤ We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. In the context of the City of Cockburn, we consider that amounts of a value less than \$135,000 should be considered trivial. This represents 5% of materiality.</li> <li>➤ A few disclosure adjustments to the financial statements have been discussed and amended during the course of our audit.</li> <li>➤ A few financial adjustments have been raised through our audit work which have been dealt with to our satisfaction.</li> </ul>
Significant Weaknesses in Internal Controls	<ul style="list-style-type: none"> <li>➤ No significant weaknesses in internal control were identified. Refer to our Interim Audit Management Letter.</li> </ul>
Disagreements with management	<ul style="list-style-type: none"> <li>➤ There have been no significant disagreements with management during the course of the audit.</li> </ul>
Serious Difficulties Encountered in Dealing with Management when Performing the Audit such as:	<ul style="list-style-type: none"> <li>➤ There were no serious difficulties encountered in dealing with management when performing the audit.</li> </ul>

<ul style="list-style-type: none"> <li>• Significant delays in management providing required information</li> <li>• An unnecessarily brief time within which to complete the audit</li> <li>• Extensive unexpected effort required to obtain sufficient appropriate audit evidence</li> <li>• The unavailability of expected information</li> <li>• Restrictions imposed on the auditor by management</li> </ul>	
<p>Fraud and Illegal Acts</p>	<ul style="list-style-type: none"> <li>➤ We are not aware of any matters that require communication.</li> <li>➤ We would request that the Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.</li> </ul>
<p>Compliance with laws and regulations</p>	<ul style="list-style-type: none"> <li>➤ In performing our audit procedures, we have not become aware of any non-compliance with applicable laws or regulations that would have an impact on the determination of material amounts and disclosures in the financial report.</li> <li>➤ We have also received representations from management confirming that the Council is in compliance with all laws and regulations that impact the Council.</li> </ul>
<p>Books and records and conduct of the audit</p>	<ul style="list-style-type: none"> <li>➤ We have been presented with all the necessary books and explanations requested of management to support the amounts and disclosures contained in the financial statements in a timely and efficient manner.</li> </ul>
<p>Other Information in Documents Containing Audited Financial Statements</p>	<ul style="list-style-type: none"> <li>➤ Our financial statement audit opinion relates only to the financial statements and accompanying notes.</li> <li>➤ However, we also review other information in the Annual Report, such as Management's Discussion and Analysis, for consistency with the audited financial statements. Once the annual report is prepared and provided to us, we will review the Annual Report for consistency between the audited financial statements and other sections of that document.</li> </ul>
<p>Related Party Transactions</p>	<ul style="list-style-type: none"> <li>➤ None of which we are aware other than what is disclosed in Note 38 to the financial statements.</li> </ul>
<p>Major Issues Discussed with Management in Connection with Initial or Recurring Retention</p>	<ul style="list-style-type: none"> <li>➤ None.</li> </ul>

Going concern	<ul style="list-style-type: none"><li>➤ As part of our audit, we have assessed and agreed with the conclusions reached by the management concerning the application of the going concern concept.</li></ul>
Independence	<ul style="list-style-type: none"><li>➤ We confirm that, as the date of this report, we are independent having regard to Macri Partners' policies, professional rules and relevant statutory requirements regarding auditor independence.</li><li>➤ During the year ended 30 June 2017, Macri Partners has not provided any non-audit services to the City of Cockburn.</li></ul>

## 7. Disclaimer

This report has been prepared for the Audit Committee and management of City of Cockburn only. It should not be quoted or referred to, in whole or in part, without our prior written consent. No warranty is given to, and no liability will be accepted from, any party other than the City of Cockburn.

## 8. Appendix 1 - Proposed Audit Opinion

### INDEPENDENT AUDITOR'S REPORT

#### TO: RATEPAYERS OF CITY OF COCKBURN

##### Report on the Financial Report

##### Opinion

We have audited the financial report of **City of Cockburn** (the Council), which comprises the Statement of Financial position as at 30 June 2017, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and a summary of significant accounting policies and other explanatory information and Statement by Chief Executive Officer.

In our opinion, the accompanying financial report of the **City of Cockburn** is in accordance with the *Local Government Act 1995* (as amended), including:

- (c) giving a true and fair view of the financial position of the **City of Cockburn** as at 30 June 2017 and of its financial performance for the year then ended; and
- (d) complying with the Australian Accounting Standards (including Australian Accounting Interpretations) and the *Local Government (Financial Management) Regulations 1996* (as amended).

##### Report on Other Legal and Regulatory Requirements

In accordance with the *Local Government (Audit) Regulations 1996*, we also report that:

- (a) There are no matters that in our opinion indicate significant adverse trends in the financial position or financial management practices of the Council.
- (b) There are no other matters indicating non-compliance with Part 6 of the *Local Government Act 1995* (as amended), the *Local Government (Financial Management) Regulations 1996* (as amended) or applicable financial controls of any other written law noted during the course of our audit.
- (c) In relation to the asset consumption ratio and asset renewal funding ratio (presented at **Note 21** of the annual financial report) we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
  - (i) reasonably calculated; and
  - (ii) based on verifiable information.
- (d) All necessary information and explanations were obtained by us.
- (e) All audit procedures were satisfactorily completed in conducting our audit.

## INDEPENDENT AUDITOR'S REPORT (Cont'd)

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the auditor independence and ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Financial Report and Auditor's Report Thereon

The management is responsible for the other information. The other information comprises the information included in the Council's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Management for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Local Government Act 1995* (as amended) and the *Local Government (Financial Management) Regulations 1996* (as amended) and for such internal controls as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:



## INDEPENDENT AUDITOR'S REPORT (Cont'd)

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the **City of Cockburn** for the year ended 30 June 2017 included on the Council's website. Management is responsible for the integrity of the Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

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**MACRI PARTNERS**  
**CERTIFIED PRACTISING ACCOUNTANTS**  
**SUITE 2, 137 BURSWOOD ROAD**  
**BURSWOOD WA 6100**

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**A MACRI**  
**PARTNER**

**PERTH**  
**DATED THIS 16TH DAY OF NOVEMBER 2017.**

## INDEPENDENT AUDITOR'S REPORT

TO: THE RATEPAYERS OF CITY OF COCKBURN

### Report on the Summary Financial Statements

#### *Opinion*

The summary financial statements, which comprise the Statement of Financial Position as at 30 June 2017, Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows for the year then ended are derived from the audited financial report of **City of Cockburn** for the year ended 30 June 2017.

In our opinion, the accompanying summary financial statements of **City of Cockburn** for the year ended 30 June 2017 is consistent, in all material respects, with the audited financial report, in accordance with AASB 1039: *Summary Financial Statements*.

#### *Summary Financial Statements*

The summary financial statements do not contain all the disclosures required by Australian Accounting Standards applied in the preparation of the audited financial report of **City of Cockburn**. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon. The summary financial statements and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report.

#### *Independence*

In conducting our audit, we have complied with the independence and ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* that are relevant to our audit of the summary financial statements in Australia.

#### *The Audited Financial Report and Our Report Thereon*

We expressed an unmodified audit opinion on the audited financial report in our report dated 16<sup>th</sup> November 2017. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.

## INDEPENDENT AUDITOR'S REPORT (Cont'd)

### *Management's Responsibility for the Summary Financial Statements*

Management is responsible for the preparation and fair presentation of the summary financial statements in accordance with Accounting Standard AASB 1039: *Summary Financial Statements*, the *Local Government Act 1995* (as amended) and the *Local Government (Financial Management) Regulations 1996* (as amended). This responsibility includes establishing and maintaining internal control relevant to the preparation of the summary financial statements; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on whether the summary financial statements is consistent, in all material respects, with the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810: *Engagements to Report on Summary Financial Statements*.

### *Matters Relating to the Electronic Publication of the Audited Financial Statements*

This auditor's report relates to the summary financial statements of **City of Cockburn** for the year ended 30 June 2017 included on **City of Cockburn**' website. The Council is responsible for the integrity of **City of Cockburn**' website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited summary financial statements to confirm the information contained in this website version of the summary financial statements.

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**MACRI PARTNERS**  
**CERTIFIED PRACTISING ACCOUNTANTS**  
**SUITE 2, 137 BURSWOOD ROAD**  
**BURSWOOD WA 6100**

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**A MACRI**  
**PARTNER**

**PERTH**  
**DATED THIS 16TH DAY OF NOVEMBER 2017.**

## 14.2 APPOINTMENT OF INTERNAL AUDITOR

<b>Author(s)</b>	N Mauricio
<b>Attachments</b>	1. Strategic Internal Audit Plan <a href="#">↓</a>

### RECOMMENDATION

That Council appoint Deloitte for delivery of internal audit services to 30 June 2019, in line with the time span of the City's Strategic Internal Audit Plan.

### Background

Council appointed Deloitte to provide internal auditing services to the City in August 2011 on a four year contract and then extended it in 2015 for another two years. The initial appointment followed a formal procurement quotation process, which invited submissions from suppliers on the WALGA Preferred Supply Panel for audit services.

The Local Government (Audit) Regulations 1996 requires the audit committee to provide assistance to council in the process of selecting and appointing an auditor. Whilst this relates specifically to the appointment of the external auditor, the City also chooses to bring the appointment of the internal auditor to the audit committee for better governance. The terms of reference for the Audit & Strategic Finance Committee also require it to provide assistance to Council in the process of selecting and appointing an auditor.

Certain functions of the internal audit complement the external auditor's role. As the external auditor plans for an effective audit they assess and determine whether to include outcomes from internal audit. All internal audit reports are referred to the audit committee for consideration.

The scope of the internal audit function is set by the audit committee (with input from the CEO & management) and the internal auditor reports functionally to the audit committee.

### Submission

N/A

### Report

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The following table summarises the internal audit plan delivered by Deloitte over the contract term to date and where each audit assignment originated from:

<b>Auditable Issues/areas</b>	<b>Source</b>	<b>Status</b>
Fraud Control Assessment	2011 Internal Audit Plan	Completed 2011/12
Procurement/Supply Chain Management Process	2011 Internal Audit Plan	Completed 2012/13
Exercise of Delegated Authorities	Executive	Completed 2012/13
Revenue Recognition (rates and other sources)	2011 Internal Audit Plan	Completed 2013/14
Audit salaried employee timekeeping practices	2011 Internal Audit Plan	Completed 2013/14
Review implementation of fraud risk management	Audit Committee	Completed 2013/14
Procurement Improvement	Internal Audit Plan	Completed 2014/15
2015/16 Rates Setting Process	Council	Completed 2015/16
2016/17 Rates Setting Process	Council	Completed 2015/16
Project Management	Strategic Internal Audit Plan 2016-2019	Completed 2016/17
2017/18 Rates Setting Process	Council	Completed 2016/17

At its July 2016 meeting, the Audit and Strategic Finance Committee adopted a three year strategic internal audit plan. The internal audit plan was developed through the City's Risk Review Group (comprising cross functional managers), with input from the internal auditor. The audit planning was informed by the City's operational and strategic risk registers, where assessed risk levels influenced the audit priorities.

Deloitte have commenced delivery of internal audit services required under the strategic internal plan with the completion of the Project Management and 2017-18 Rates Setting audits earlier this year. The completion of audits into the City's records management practices and land development and developer contributions is planned for the 2017-2018 financial year (as attached).

It is therefore logical and makes sense to continue with Deloitte for the delivery of remaining audits required under the strategic internal audit plan to 30 June 2019.

Deloitte's audit reports and the recommendations contained therein are always relevant and of very high quality. They consistently meet the stated objectives of each agreed terms of reference for the audit, ensuring value for money. The delivery of the City's internal audits

during Deloitte's contract tenure has been overseen by the same audit manager and partner, enabling them to develop a very good understanding of the City's operating environment and business activities. This has helped ensure that audit findings and recommendations are always appropriate, practical and workable for the City.

Given the performance of Deloitte over the past six years, it is recommended that the City extend their contract for another two financial years. Deloitte continue to be preferred suppliers with WALGA on their supply panel for Audit Services.

### **Strategic Plans/Policy Implications**

#### Leading & Listening

Deliver sustainable governance through transparent and robust policy and processes

Ensure sound long term financial management and deliver value for money

### **Budget/Financial Implications**

The cost for internal audit assignments is determined at the time of agreeing the terms of reference. Hourly fees are set in accordance with the WALGA supply panel contract for Audit Services, which are subject to annual CPI increases.

The City's budget includes an allocation for compliance/internal audit work of \$50,000.

### **Legal Implications**

N/A

### **Community Consultation**

N/A

### **Risk Management Implications**

Not appointing an internal auditor at this time would leave the City unable to deliver the requirements of the Council adopted Strategic Internal Audit Plan.

### **Advice to Proponent(s)/Submissioners**

N/A

**Implications of Section 3.18(3) *Local Government Act, 1995***

Nil





**CITY OF COCKBURN STRATEGIC INTERNAL AUDIT PLAN**

Function/Process/Activity	Reason	Audit Scope	Organisational Context	2016-2017	2017-2018	2018-2019
Project Management	<b>High risk as identified in the risk registers</b> Project management across the organisation is inconsistent and inefficient and has been highlighted in the Organisational review and employee surveys. The likelihood of the risk eventuating to the level of critical consequences is frequent.	Consideration and testing of the design and effectiveness of the project management procedures adopted at the City, and to propose any potential additional measures that may assist the City in improving its project management skills and practices. The focus of this review covers the project management activities currently implemented and adopted by the City of Cockburn in managing its projects.	Emerging Strategic & Operational Risks	√		
Land Development and Developer Contributions	<b>Substantial risk as identified in the risk registers</b> Accurate analysis is critical for the feasibility of Land Development and Projects funded through Developer Contributions.	The review objective is to assess the adequacy of the management control framework relating to land development projects and the City's developer Contribution schemes. Audit will look at the extent to which the City is complying with key legislative, planning scheme, policies, procedures, guidelines, and other requirements in delivering land development projects and administering the developer contribution schemes.	Emerging Strategic & Operational Risks		√	
Fleet Management	<b>Moderate risk as identified in the risk registers</b> The City has a considerable investment in its fleet assets and considerable resources are consumed in operating and maintaining the fleet to ensure it services the City's business requirements. Independent review will assist determine the effectiveness of the fleet management model.	The objective of the review is to assess the adequacy of the management control framework and related risk management strategies for the fleet management function, including processes relating to the planning, organizing, controlling, directing, communicating, and the management of vehicle assets. Extent to which the City's is complying with policies, procedures, guidelines, and with laws and regulations pertaining to fleet management	Emerging Strategic & Operational Risks			√
Records Management	<b>High risk as identified in the risk registers</b> The effectiveness of the City's ECM system remains a recurring question and thus a high priority and will immediately follow the formation of the Knowledge Management Plan document which will act as a guide to which actions to take to achieve the goal of best practices. There is lack of audit trail for documents/external, sent emails not saved in ECM. Non-compliance with processes and requirements, Lack of awareness and training, and no perceived consequences and Increased Officer workloads.	The purpose of this audit is to assess City of Cockburn's management of both paper and electronic records. The key objectives are to determine if the City is meeting both its program and legislative requirements, and if it has struck the right balance in doing so. In The City of Cockburn, officers and individuals all have responsibility for records management. The Information Services has functional responsibility for records management and supports departmental staff in meeting these records management responsibilities. The audit will review the operations of the central records management system which provide functional direction and support to business units.	Emerging Strategic & Operational Risks		√	
Rates Model	<b>Moderate risk as identified in the risk registers</b> The City's Budget Management Policy requires that internal audit review the annual rate setting process and the outcomes, paying particular attention to the parameters used for applying the rates	To have reasonable assurance of the City of Cockburn's rate setting model for the annual budget, with a focus on the City's objectives of applying a maximum equivalent rates increase for residential improved properties using a concession and of continuing to provide a benefit to pensioners from the City's rates incorporation strategy.	Emerging Strategic & Operational Risks	√	√	√

**CITY OF COCKBURN STRATEGIC INTERNAL AUDIT PLAN**

Function/Process/Activity	Reason	Audit Scope	Organisational Context	2016-2017	2017-2018	2018-2019
	concession scheme to residential improved properties.					
Resources Allocation	<b>Moderate risk as identified in the risk registers</b> The Long Term Financial Plan is a critical planning document for ensuring the future financial sustainability of the City in terms of resources allocation. An independent review of the methodology and the basis of underlying assumptions used will support the governance over this exercise.	The objective for this audit is to assess the level of compliance and alignment of the City's LTFP with the DLGC Strategic Planning Framework. The review will also look at how well the LTFP integrates with and informs the City's other financial planning processes including the corporate business plan, annual business plan and annual budget. Improvement opportunities are to be identified.	Emerging Strategic & Operational Risks			√
Internal Communications	<b>Moderate risk as identified in the risk registers</b> Internal Communications across the organisation was also highlighted in the Organisational review and employee surveys. The likelihood of the risk eventuating to the level of critical consequences has been occurring routinely. There is currently no internal communication plan or policy.	Review of the top down communication from the Executive to their direct reports and heads of departments, and the cascade of information by Strategic Managers to their direct reports and then on to all staff across their departments. Lateral communication across departments. The interface for staff who wish to communicate internally or seek advice on internal communication. Communication around change programmes and new initiatives. The appropriate use of email and the storing of information electronically. Information sharing across the whole organisation inclusive of Elected Members. The communication skills and practices of managers and key communicators. The effectiveness of the current main communication channels.	Emerging Strategic & Operational Risks	√		
Financial Management Systems & Procedure	<b>Obligation under Section 5(2)© of the Local Government (Financial Management) Regulations 1996</b> Requires the Chief Executive Officer to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the Local Government regularly (and not less than once in every four financial years) and report to the Local Government the results of those reviews.	Review effectiveness and appropriateness of collection, custody and security of all money owing or held by the City. Maintenance and security of the financial records in specific to accounting for municipal or trust, revenue received or receivable, expenses paid or payable, assets and liabilities, and authorisation for the incurring of liabilities and the making of payments. Maintenance of payroll, stock control and costing records, preparation of budgets, budget reviews, accounts and reports required by the Act or the regulations.	Compliance Requirement			√

### 14.3 PERFORMANCE REVIEW OF MONETARY & NON-MONETARY INVESTMENTS FOR THE FINANCIAL YEAR 2016-2017

**Author(s)** S Downing  
**Attachments** N/A

#### RECOMMENDATION

That Council receive the information.

#### Background

Council Policy SFCS1 'Investments' Clause 5.2 requires:

*An annual report on the performance of the investment portfolio will be submitted to Council outlining the performance of the portfolio for the financial year."*

#### Submission

N/A

#### Report

As per the Investments Policy SFCS1, the following report is divided into two parts. The first part is a report on cash investments held by the City and the second part is for non-cash investments.

#### *Cash Investments*

The City earned the following interest income during 2016-2017:

- Municipal/Reserve funds (MFR) \$4.554m
- Rates – Administration Interest \$0.350m
- Rates – Penalty Interest \$0.220m
- Deferred Pension rates \$0.019m
- ESL Interest \$0.014m
- Total Interest income \$5.157m

Interest income from the surplus cash in the municipal fund and reserves (MFR) totalled \$4.554m. The interest rates earned by the MFR over the twelve months varied from 3.05% in July 2016 to 2.73% in June 2017.

The interest income earned from the other four sources, Rates – Penalty Interest, Rates – Administration Interest, Deferred Pension Rates and ESL Interest, was not earned on the management of surplus cash but on outstanding debts due to the Council. The Local Government Act provides the heads of power for a council to impose

interest on outstanding rates. Rates – Administration Interest and ESL Interest are charged at 3.5%, whilst Rates – Penalty Interest is charged at 7%. The Local Government Act has a maximum interest rate of 11%. The Council has always elected to impose a lower interest rate. The rate for Deferred Pension Rates was 2.48% as at 30 June 2017.

All surplus funds are invested in accordance with the Local Government Act, associated regulations and Council's Investment Policy. All cash investments/term deposits are compliant with Council's Investment Policy.

The funds are invested in term deposits with APRA regulated financial institutions apart from two investments. The amendment to the regulations requiring Council's only invest in term deposits with a maturity less than twelve was gazetted with an over-rider allowing existing investments with a maturity greater than twelve months and in non-term deposits to go to maturity.

The first investment is for \$2m in a CBA zero coupon senior bond paying 7.18%. The maturity date for the return of the \$4m is January 2018. (The additional \$2m is the capitalised interest compounded over the life of the bond).

The second investment is the reverse mortgage backed security, Emerald. The original investment was \$3m in three \$1m tranches. The City is currently receiving interest at the rates of 2.40%, 2.75% and 2.86% on the respective tranches. Additional 'step-up' interest is also accruing on these three tranches at 0.9%, 1.5% and 1.9% respectively, which will be paid to the City upon maturity. The current balance of 'step-up' interest owing to the City is \$271,079. The City received capital repayments of \$54k in the past year, reducing the outstanding balance due for the investment to \$2.65m.

#### Non-Cash Investments

The City has substantial freehold land on its balance sheet. As at the 30 June 2017 that total was \$83.4m. The makeup of the land comprises sumps, reserves, land available for sale, freehold parks and land on which council buildings and facilities occupy. The Land Management Strategy had identified a range of land assets that are surplus to requirement or land that could be made saleable with investment from Council. The concept is to monetise freehold land (where possible) so as to re-invest in income producing property to receive a stream of rental income. The Land Management Strategy provides for a reconciliation of the freehold land and that which is surplus to requirements.

Rental Income

The City received rental income for 2016-2017 on commercial properties and land.

<u>Commercial Property</u>	<u>Income (Ex-GST)</u>
Coogee Beach Caravan Park	\$254,156
Cockburn Health and Community Facility	\$1,434,374
Cockburn GP Super Clinic	\$606,364
Youth Centre	\$148,517
Naval Base Shacks	\$457,121
Coogee Beach Café	\$51,190
Baptist Recreation Centre - Land Lease	\$26,425
Spearwood Dalmatinac - Land Lease	\$20,720
Cockburn Bowling Club - Land Lease	\$10,003
Emergency Services Facility - DFES Sub-lease	\$57,750
12 Rivers Street, Bibra Lake	\$69,568
Port Coogee Marina Building (first floor)	\$44,724
Other land rental	\$151,695
<b>Total Rental Income</b>	<b>\$3,332,607</b>

The net rental revenue from the Cockburn Health and Community Facility is quarantined within a financial reserve for the purpose of future maintenance requirements for the facility. This is to ensure that there is no future demand for the Municipal Fund to meet capital or operating maintenance costs. Once the level of funds meets the target, dividends will be paid to the municipal fund. The City also quarantines funds received from the Naval Base Shacks to meet the future capital maintenance needs of this unique asset.

Land Sales

The City budgeted to settle on Lot 9003 Beeliar Drive for \$9.3m (settled in March 2017) and Lot 803 Yangebup Road Yangebup \$1.58m (settled in November 2016).

Whereas funds are generally allocated to income producing assets, the exception is the sale of land at Lot 9003 Beeliar Drive. The proceeds

were allocated in the 2016-2017 Budget to the redevelopment of the Council Depot. The City is actively marketing a number of parcels of land but interest is disappointing though not unexpected in the current economic climate.

### **Strategic Plans/Policy Implications**

#### Community, Lifestyle & Security

Provide for community facilities and infrastructure in a planned and sustainable manner

Create and maintain recreational, social and sports facilities and regional open space

#### Economic, Social & Environmental Responsibility

Create opportunities for community, business and industry to establish and thrive

#### Leading & Listening

Ensure sound long term financial management and deliver value for money

Provide for community and civic infrastructure in a planned and sustainable manner, including administration, operations and waste management

### **Budget/Financial Implications**

N/A

### **Legal Implications**

N/A

### **Community Consultation**

N/A

### **Risk Management Implications**

This is an information report only on actions taken in the 2016-2017 financial year. All cash investments and term deposits are in accordance with Council Policy. There are no risks as an outcome of this report.

**Advice to Proponent(s)/Submissioners**

N/A

**Implications of Section 3.18(3) *Local Government Act, 1995***

Nil

**15. ENGINEERING & WORKS DIVISION ISSUES**

Nil

**16. COMMUNITY SERVICES DIVISION ISSUES**

Nil

**17. EXECUTIVE DIVISION ISSUES**

Nil

**18. NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY MEMBERS OR OFFICERS**

**19. MATTERS TO BE NOTED FOR INVESTIGATION, WITHOUT DEBATE**

**20. CONFIDENTIAL BUSINESS**

Nil

**21. CLOSURE OF MEETING**





City of Cockburn  
Audit & Strategic Finance Committee  
**Confidential Agenda  
Attachments**

For Thursday, 16 November 2017



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## Summary of Legal Proceedings commenced and/or responded to by the City

Lawyer File No.	Subject	Start Date	Law Firm & Lawyer	City of Cockburn Officer	Applicant	Cost (known) (not incl. GST.)	Summary / Current Status (as at date)	Cockburn are Prosecuting, Defending or Seeking Advice	Monies Awarded minus COC Costs	Status: Active / Closed	Details/Progress/ Outcome
22615	Port Coogee Development: Cockburn Road, Coogee	20/06/16	Peter Wittkuhn - McLeod's	Doug Vickery	N/A	\$29,163.49	legal advice requested for the Pile Defect remediation in Port Coogee Marina	Seeking advice		Active	this is currently ongoing
3509	Lot 11 (No. 40) Solomon Road, Jandakot: Swire Cold Storage Pty Ltd	31/08/2016	Peter Wittkuhn - McLeod's	Andrew Trosic	Swire Cold Storage Pty Ltd	\$110,902.01	Scheme requires Swire to cede land for Verde Drive extension, and also contribute towards constructing the road. The City secured conditions of development approval to ensure Scheme obligations were met. Swire requested to defer these arrangements, by entering in to a deed of agreement. Whereas the City could have compelled the conditions of development approval at the time, it agreed to enter the deed. Swires have attempted to not comply with the deed, forcing the City in to a statement of claim against Swires via the Supreme Court.	Prosecuting the deed of agreement		Active	Currently in mediation. Mediated position appears to be achievable, which will secure the road land. Currently awaiting subdivision process to occur.
39911	Termination of Fratelle's Architect Contract for Cockburn Bowling Club	1/10/2017	Jackson McDonald	Gail Bowman	Cockburn	\$5,000.00	Termination of Contract, Compilation of claim against Fratelle, defend claim against COC	Defending		Active	Ongoing
EMT:7159085	Winding up SMRC	28/07/16	Jackson McDonald	Stuart Downing	Nil	\$11,000.00	Ongoing	Seeking advice	N/A	Active	Ongoing
<b>Closed Cases</b>											
39984	SAT DR 273/2016 Sultane & Ors v City of Cockburn 4/13 Port Kembla Drive, Bibra Lake	30/09/2016	Denis McLeod - McLeod's	Andrew Lefort	Sultane & Ors	\$27,299.40	SAT Appeal of Council's decision to refuse Planning Application for Club Premises. Matter proceeded to mediation.	Defending	Nil	Closed	SAT invited Council to reconsider its decision and the application was approved by Council 13/02/2017.
SQM:7153512	Development Agreement to FFC (Oval Area & Building Area)	31/10/2016	Jackson McDonald	Rob Avard	Nil	\$22,846.79	Complete	Seeking advice	N/A	Closed	Agreement finalised
16076/CH	Lot 931(20)Chelydra Point, North Coogee	25/01/17	Kott Gunning - Anne Wood	John West	Cockburn	\$16,527.90	Matter Finalised - 27 Mar 2017 - Unlawfully commenced Building Works	Prosecuting	\$65,886.10	Closed	27 Mar 17 - Successful Prosecution \$75,000 penalty and \$7414 costs awarded to the City
39911	Knight, D - SAT Review of Application to Keep Additional Dogs	6/09/2016	Andrew Wadham - McLeod's	Michael Emery	Cockburn	\$11,919.70	Court process is complete and provided 28 days to pay CoC from the date of conviction (19 June 2017)	Prosecuting	Nil	Closed	Owners were approved to keep three dogs within the property. Court imposed a fine of \$500.00 and costs of \$522.50 in relation to the matter, noting that although there had been an offense, the owners were attempting to resolve the nuisance issue.



### **Fratelle Group Architectural Services Contract for the Cockburn Bowling and Recreation Facility**

After identifying significant Architectural Services performance issues with the Fratelle Group, the City engaged Bollig Architectural Services to undertake an independent Peer review of the design work completed by Fratelle. This review confirmed concerns and identified a significant number of deficiencies in the design with recommended rectifications.

The City then received legal advice from Jackson McDonald regarding the proposed termination of the Architectural and Consultancy Services contract number C100074 for the Cockburn Bowling and Recreation Facility with the Fratelle Group.

The Advice received was that the City had sufficient evidence and grounds to Terminate the Fratelle Group contract, due to a number of breaches predominantly related to timeliness and quality of design issues. The Contract was therefore terminated on the 24 July 2017.

Fratelle Group replied to the Termination Letter on the 28 July 2017 alleging that the City had repudiated the contract, accepting that repudiation and itself purporting to terminate the Contract between the parties. Therefore, neither party can be proceeding on the basis that there is a contract currently on foot.

The City, prior to the Termination of the contract, also received advice from Jackson McDonald regarding the City's contractual rights to adjust the Percentage Based Fee in line with the contract, and whether the City could make a claim against the Fratelle Group. The City's rights were confirmed and a letter was sent prior to the termination of the contract adjusting the fee, and outlining a financial claim by the City to the Fratelle Group. This enables the City to seek adjudication regarding the claim under the Construction Contracts Act.

A new architect called Sandover -Pinder was appointed following a Request For Quotation process to complete the remainder of the project.

The City has subsequently received a letter of Claim from Clyde and Co representing the Fratelle Group on the 13 October 2017. The City has therefore received additional advice regarding this Claim under the Construction Contracts Act from Jackson McDonald. Following this advice Jackson McDonald has been requested to provide a response defending the City against this claim as the contract has been terminated. If the claim proceeds to adjudication, then the City will also pursue the claim identified before the contract was terminated, and if feasible will recoup subsequent costs incurred by the City due to breaches of the Architectural Services contract by Fratelle Group.



The City will also seek further advice regarding any other appropriate options, such as a commercial settlement in order to protect the City's interests and provide the best outcome considering the risks and costs.