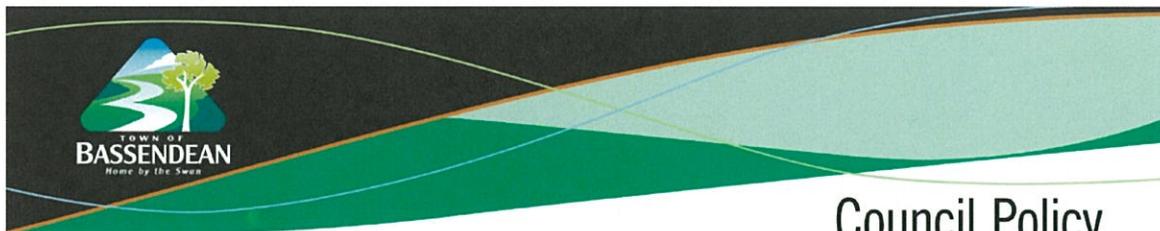


# **ATTACHMENT NO. 1**



## Council Policy

**DRAFT**

7 November 2018

### 6.14 Purchasing Policy

#### Objective

This policy:

1. Ensures compliance with the *Local Government Act 1995* and the Local Government (Functions and General) Regulations 1996 to establish a framework of operational standards for contracts to purchase goods and services;
2. Provides guidance to all Council employees on all levels of procurement to ensure ethical behavior, ensure probity, and transparency;
3. Is designed to ensure that the Town receives value for money as a result of its purchasing activities;
4. Aims to deliver a high level of accountability whilst providing a flexible, efficient and effective and transparent procurement framework;
5. Ensures that the Town considers the environmental and sustainability implications of the procurement process across the life cycle of goods and services; and
6. Ensures that all purchasing transactions are recorded in compliance with the *State Records Act 2000* and associated records management practices and procedures of the Town.

#### Strategy

The Town is committed to sustainable procurement practices. The Town will advertise and assess quotes and tenders to secure supply arrangements that contribute to achieving the Town's strategic goals and objectives in line with the following principles:

- Enhance our natural and built environment, by purchasing products and services that demonstrate environmental best practice and will reduce negative impacts
- Enhance our economic environment by ensuring value for money in all contracting and purchasing
- Ensure good governance by maintaining transparency in contracting and purchasing, minimising risk to the Town of Bassendean through the application of a robust risk management mechanism's ensuring that the products and services it purchases are in line with the Town's objectives

- Where appropriate, the Town shall endeavour to provide an advantage to suppliers demonstrating that they minimise environmental and negative social impacts and embrace sustainable business practices.

### **Records Management**

All records associated with the tender process or a direct purchase process are to be recorded and retained.

For a tender process, this includes:

- Tender documentation;
- Internal documentation;
- Evaluation documentation;
- Enquiry and response documentation; and
- Notification and award documentation.

For a direct purchasing process this includes:

- Quotation documentation;
- Internal documentation; and
- Order forms and requisitions.

Record retention shall be in accordance with the minimum requirements of the *State Records Act*, and the Town of Bassendean's internal records management procedures.

### **Sustainable Procurement**

The Town is committed to sustainable procurement by providing a preference to suppliers that demonstrate sustainable business practices (social advancement, environmental protection and local economic benefits).

The Town will embrace Sustainable Procurement by applying the value for money assessment to ensure that wherever possible suppliers demonstrate outcomes which contribute to improved environmental, social and local economic outcomes. Sustainable Procurement can be demonstrated as being internally focussed (i.e. operational environmental efficiencies or employment opportunities and benefits relating to special needs), or externally focussed.

Requests for Quotation and Tenders will include a request for information from Suppliers regarding their sustainable practices and/or demonstrate that their product or service offers enhanced sustainable benefits. *An appropriate weighting can be added to RFQ/T for sustainability.*

### **Australian Disability Enterprises**

*Disability enterprises are not for profit organisations operating as commercial businesses providing employment opportunities for people with disability. Where appropriate the Town will invite quotations from relevant Australian Disability Enterprises for the supply of goods and services.*

## Local Economic Benefit

The Town encourages the development of competitive local businesses within its boundary first, and second within its broader region. As much as practicable, the Town will:

- Where appropriate, consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses;
- Consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support);
- Ensure that procurement plans address local business capability and local content;
- Explore the capability of local businesses to meet requirements and ensure that Requests for Quotation and Tenders are designed to accommodate the capabilities of local businesses;
- Avoid bias in the design and specifications for Requests for Quotation and Tenders – all Requests are to be structured to encourage local businesses to bid; and
- Provide adequate and consistent information to local suppliers.
- *WALGA Services (excluding Preferred Supplier Program) - For the purchasing of WALGA Services, a minimum of one (1) written quotation is to be sought and appropriately recorded. Recording is to be in accordance with the threshold levels outlined below. Confirmed via Purchase Order or Contract/Agreement.*
- **LGIS Services** - *For the purchasing of LGIS Services, a minimum of one (1) written quotation is to be sought and appropriately recorded. Confirmed via Purchase Order or Contract/Agreement.*

## Purchasing Threshold

The Town will maintain a principle period of 3 years for all procurement of goods or services for the Town, for purchases valued over \$20,000, where the value of procurement and contract (excluding GST), is, or is expected to be:

Monetary Threshold (excluding GST)	Purchasing Method Required
Up to \$1,999 Annually - For Irregular and Non-Recurrent Purchases	<u>Irregular and Non-Recurrent Purchases</u> - For irregular and non-recurrent goods and services valued up to \$1,999 per year, no competitive process is required, although <b>one</b> verbal quote is to be obtained prior to purchasing. An exception is where goods are purchased by Corporate Credit Card.
\$2,000 to \$ 4,999 Annually - For Irregular and Non-Recurrent Purchases	<u>Irregular and Non-Recurrent Purchases</u> - For Irregular and Non-Recurrent Purchases goods and services valued between \$2,000 and \$4,999 per year, no competitive process is required, although <b>one written</b> quote is to be obtained prior to purchasing.

<p>\$5,000 - \$19,999 Annually - For Irregular and Non-Recurrent Purchases</p>	<p><u>Irregular and Non-Recurrent Purchases</u> - For goods and services valued between \$5,000 and \$19,999 a purchase, <b>2 x Written quotations</b> are required. Where rates are reasonable and consistent with similar products, officers must occasionally undertake market testing to ensure best value for money is obtained.</p>
<p>\$20,000 - \$59,999 (over 3 years)</p>	<p><b>Minimum 3 written quotations are requested and Manager or Director approval required.</b> Informal evaluations could include OHS requirements, financial viability, experience and referees, sustainability.</p>
<p>\$60,000 - 149,999 Formal RFQ required</p>	<p>Formal Request For Quotation (RFQ) is required to be issued. A sufficient number of written quotations are to be sought (minimum of three 3 written quotations.) A quote is to be sought from either:</p> <ul style="list-style-type: none"> <li>• The open market; or</li> <li>• A supplier included in the relevant WALGA Preferred Supplier Arrangement (link on Intranet). All suppliers of those particular services registered on the WALGA Portal are to be given the opportunity to provide a response to our quote, unless Director has approved otherwise; or</li> <li>• Other suppliers that are accessible under another tender exempt arrangement (WA Disability Enterprise or an Aboriginal Owned Business).</li> </ul> <p>Responses are to be evaluated on both price considerations and appropriate weighted qualitative criteria.</p>
<p>\$150,000 and above RFT Required</p>	<p>Request for Tender is to be issued in accordance with <i>the Local Government Act 1995</i> (Section 3.57) unless expressly exempted under clause 11 (2) of the Regulation.</p> <p>Request for Tender is to be sought from either:</p> <ul style="list-style-type: none"> <li>• The open market (must be publicly advertised State-wide); or</li> <li>• A supplier included in the relevant WALGA Preferred Supplier Arrangement (link on Intranet). All suppliers of those particular services registered on the WALGA Portal must be given the opportunity to provide a response to our request, unless Director has approved otherwise; or</li> <li>• Other suppliers that are accessible under another tender exempt arrangement (WA Disability Enterprise or an Aboriginal Owned Business) and State or Commonwealth Government Contracts.</li> </ul> <p>Responses are to be assessed by the Evaluation Panel on appropriate weighted qualitative criteria, who will recommend a successful supplier. The Procurement Decision (successful supplier) is to be reported to the next Ordinary Council Meeting, to be approved by Council.</p>

*Note: The Town will maintain a principle period of 3 years for all procurement of goods and services. The total value of the contract is extracted from the full period of the contract (excludes extension options).*

## Application

Responsibility for the implementation of this policy rests with the Mayor, Councillors and Chief Executive Officer. The Policy is to be reviewed every three years.

<b>Policy Type:</b> Strategic Policy	<b>Responsible Officer:</b> Chief Executive Officer
<b>Link to Strategic Community Plan:</b> Leadership and Governance	<b>Last Review Date:</b> September 2017 November 2018 <b>Version 3</b>
	<b>Next Review due by:</b> May 2021



# WALGA Guide to **Sustainable Procurement**



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WALGA Guide to Sustainable Procurement (2017)

Western Australian Local Government Association



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# FOREWORD & Introduction



# FOREWORD

The WA Local Government Association (WALGA) is working for Local Government in Western Australia. As the peak industry body, WALGA advocates on behalf of its Members, comprising of WA Local Governments and other affiliated organisations.

WALGA is committed to advancing the vision for Local Government in Western Australia where:

- » Local Governments will be built on good governance, autonomy, local leadership, democracy, community engagement and diversity; and
- » Local Governments will have the capacity to provide economically, socially and environmentally sustainable services and infrastructure that meets the needs of their communities.

The WALGA Guide to Sustainable Procurement is a publicly available document that has been developed by WALGA to assist its Members define an accountability framework in the support of meeting its objectives in enabling sustainable services and infrastructure to be delivered to the community, through effective procurement processes and decision making.

The Guide is to accompany the **WALGA Procurement Toolkit**, which provides practical resources and templates to assist the integration of sustainability into procurement processes that leads to effective decision making. The Toolkit is available to be accessed from the WALGA website by Members that maintain an active subscription to the WALGA Procurement Service.

To find out if your Council is a current WALGA Procurement Services subscriber or arrange access to the WALGA Procurement Toolkit, please contact:

## **WALGA Procurement Services**

P: (08) 9213 2514

E: [procurementservices@walga.asn.au](mailto:procurementservices@walga.asn.au)

## **Acknowledgments**

WALGA would like to acknowledge and thank the contributors to the development of this Guide and associated resources:

- » City of Canning
- » City of Fremantle
- » City of Greater Geraldton
- » City of Mandurah
- » City of Melville
- » City of Stirling
- » Western Australian Disability Enterprises
- » Morrgul Pty Ltd
- » Aegle Sustainability
- » Eco-Buy

Designed by Westcare Inc. A Western Australian Disability Enterprise

[www.westcare.com.au](http://www.westcare.com.au)

# WHO IS THIS GUIDE RELEVANT TO?

The WALGA Guide to Sustainable Procurement has been developed with the following audience in mind:

Audience	Relevance
<b>Elected Members</b>	<ul style="list-style-type: none"> <li>• Definition of sustainability objectives and procurement strategies</li> <li>• Policy makers – Sustainable Procurement Policy</li> <li>• Make decisions on procurement outcomes</li> </ul>
<b>CEO &amp; Executive</b>	<ul style="list-style-type: none"> <li>• Adoption of sustainable procurement strategies</li> <li>• Custodians of the sustainable procurement accountability framework</li> <li>• Key procurement decision makers and recommenders</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Policy custodians</li> <li>• Ensuring alignment of policy to practice</li> <li>• Contributor to the sustainable procurement accountability framework</li> </ul>
<b>Operational Managers and Staff</b>	<ul style="list-style-type: none"> <li>• Identify, plan and execute on procurement requirements</li> <li>• Decision makers (on delegation)</li> <li>• Identification and evaluation of sustainable supply options</li> <li>• Ensure sustainable outcomes are met during the performance of the contract.</li> <li>• Monitoring and reporting of performance to sustainability objectives</li> </ul>
<b>Procurement Practitioners</b>	<ul style="list-style-type: none"> <li>• Identify relevant procurement strategies and integrate sustainability objectives</li> <li>• Facilitator of procurement and contract management outcomes to ensure sustainability objectives are met</li> </ul>
<b>Sustainability Practitioners</b>	<ul style="list-style-type: none"> <li>• Key stakeholder and contributor to procurement decision making to help meet sustainability objectives</li> <li>• Assist in evaluating supplier sustainability credentials</li> <li>• Provide advice in management of sustainable outcomes during the performance of the contract.</li> </ul>

# INTRODUCTION

Sustainability is at the core of Local Government service delivery. The concept of sustainability and sustainable development has been part of organisational strategy since the 1980's and is now a critical objective for all successful enterprises.

Consumerism now demands that businesses not only offer products and services at the lowest cost, but in consideration of factors that protect the natural environment, the economy and society as a whole. Businesses must therefore demonstrate that its offerings and practices are aligned so as to avoid any negative impacts and promote positive impacts, for the benefit of current and future generations.

Sustainable Procurement is the collective term adopted by businesses worldwide as those practices that bring together the consideration of sustainability outcomes in addition to the commercial value proposition in deciding the most appropriate supply option to select.

Sustainable Procurement incorporates the quadruple bottom line objectives into its decision making, in considering the following impacts:

- » The environmental impact (positive or negative) of the purchase;
- » Economic cost of supply over the life of the purchase;
- » Social and ethical implications of the purchase; and
- » Application of good governance and leadership over its procurement decision making.

Sustainable procurement empowers consumers and organisations to establish appropriate rationale for investing with suppliers that are positively contributing to its key sustainability objectives, and divesting from those that cause detriment. This attribution can have a powerful influence on the way markets operate down the supply chain. In 2015/16 financial year<sup>1</sup>, the WA

Local Government sector spent approximately \$1.34 billion on goods and services, which represents a key contribution to the state's economy. The sector as a whole, therefore plays a significant role in influencing to what extent any given market invests in the supply of sustainable products and services and adopting sustainable business practices that collectively helps the WA economy in the pursuit of its sustainable development goals.

The spotlight on sustainable procurement has recently come back into focus with the release of ISO20400:2017. This international standard provides practical guidance on embedding sustainable procurement in any organisation at both the strategic and operational level. This guide extends the guidance and tailored specifically for the WA Local Government sector. It is highly encouraged to obtain a copy of the ISO Standard to read in conjunction with this guide.

## **This guide contains five key sections:**

- » Defining Sustainability and Sustainable Procurement
- » Applying a Sustainable Procurement Framework
- » Sustainability and Value for Money
- » WALGA Preferred Supplier Sustainability Rating System
- » Other Resources

The *WALGA Procurement Toolkit* also contains further guidance on applying sustainable procurement into practice. Members that subscribe to the *WALGA Procurement Service* are able to access this resource through the WALGA website.

<sup>1</sup> Source: <http://www.mycouncil.wa.gov.au/Council/CompareAllCouncil> - Expenditure (All Councils)

# 1. DEFINING SUSTAINABILITY & Sustainable Procurement



# DEFINING SUSTAINABILITY AND SUSTAINABLE PROCUREMENT

The most widely recognised definition of sustainable development comes from the Brundtland Report<sup>2</sup>, which is 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. Sustainability is therefore the goal of sustainable development, where balance is achieved between our immediate interest and broader, long-term needs.

Sustainability incorporates economic, environmental, social and governance factors, also known as the 'quadruple bottom line' or QBL. The International Standards Organisation (ISO) has extended these main factors into the following seven 'core subjects' of sustainability:



Figure 1: Sustainability and the Quadruple Bottom Line

Table 1: Core subjects of sustainability

Core subject	Related actions (as adapted from ISO20400)
<b>Human rights</b>	<ul style="list-style-type: none"> <li>• Protection of human rights (in the supply chain)</li> <li>• No forced labour</li> <li>• Avoidance of complicity</li> <li>• Prevention of discrimination of vulnerable groups</li> <li>• Protection of economic, social and cultural rights</li> </ul>
<b>Labour practices</b>	<ul style="list-style-type: none"> <li>• Harmonious employment relationships</li> <li>• Favourable conditions of work and social protection</li> <li>• Health and safety</li> <li>• Development and training in the workplace</li> </ul>
<b>Environmental management</b>	<ul style="list-style-type: none"> <li>• Prevention of pollution</li> <li>• Sustainable use of resources</li> <li>• Climate change mitigation and adaptation</li> <li>• Protection and restoration of the natural environment</li> <li>• Biodiversity</li> </ul>
<b>Far operating practices</b>	<ul style="list-style-type: none"> <li>• Anti-corruption measures</li> <li>• Responsible political involvement</li> <li>• Fair competition</li> <li>• Promoting sustainability in the value chain</li> <li>• Respect for property rights</li> </ul>

<sup>2</sup> 'Our Common Future' - Brundtland Report 1987

Core subject	Related actions (as adapted from ISO20400)
<b>Consumer issues</b>	<ul style="list-style-type: none"> <li>• Fair marketing</li> <li>• Factual and unbiased information</li> <li>• Fair contractual practices</li> <li>• Protecting consumers' health and safety</li> <li>• Sustainable consumption</li> <li>• Consumer service and support</li> <li>• Consumer data protection and privacy</li> <li>• Access to essential services</li> <li>• Education and awareness</li> </ul>
<b>Community involvement and development</b>	<ul style="list-style-type: none"> <li>• Respect and participation in cultural, societal and political rights of communities</li> <li>• Education and culture</li> <li>• Employment creation and skills development</li> <li>• Technology development and access</li> <li>• Wealth and income creation</li> <li>• Elimination of negative health impacts</li> <li>• Social investment</li> </ul>
<b>Organisational governance</b>	<ul style="list-style-type: none"> <li>• Definition of a Sustainable Procurement policy</li> <li>• Application of principles of sustainable procurement</li> <li>• Awareness of sustainable development actions</li> <li>• Clear decision-making processes and structures</li> <li>• Application of strategy, policy and practice</li> </ul>

Achievement in each of these subjects is a responsibility of all individuals and consumers alike in pursuit of its sustainability objectives. For a Local Government, these are typically identified in its Strategic Community Plan and represented in Corporate Business Plans, as a means of aligning Local Government's activities to meet community's expectations.

Corporate social responsibility refers to the demonstration of an organisation's contribution towards sustainable development, through its pursuit and measurement of the impact of its decisions and activities across all core subjects, both within the organisation and management of its supply chain.

## WHAT IS SUSTAINABLE PROCUREMENT?

Sustainable procurement is defined by *ISO20400:2017 Sustainable Procurement- Guidance (ISO20400)* as:



Procurement that has the most positive environmental, social and economic impacts possible over the entire life cycle of a product or service.

Sustainable procurement is therefore not just about sourcing environmentally friendly (or 'green') products. It is a decision making enabler that considers the total purchase cost of goods and services across the entire life cycle, which is consciously measured on the positive and negative impacts that the procurement decision will have on the environment, society and the economy, in accordance with a predefined governance framework that enables compliant and ethical business practice. For every purchasing decision made, regardless of value, it is imperative to plan for, evaluate and measure those identified sustainable impacts. Information on how to evaluate sustainable impacts against other value for money objectives in procurement decision making is explained in "Sustainability and value for money" on page 35.

To enable Local Governments to most effectively incorporate sustainability into its procurement decision making, accountability must exist across all aspects of the organisation. Please refer to Section 2: Applying a Sustainable Procurement Framework for further information on applying a suitable accountability framework designed to ensure that sustainable objectives are met. Local Governments are also encouraged to obtain a copy of ISO20400 (available from SAI Global), which offers further explanatory guidance.

## BENEFITS OF A SUSTAINABLE PROCUREMENT APPROACH

Local Governments can gain many benefits from adopting sustainable procurement, from direct cost savings to broader reputational improvements (referred to in ISO20400 as 'drivers'). For a Local Government, these may include:

- » Cost savings through energy, water or fuel efficiency of equipment;
- » Access to innovative products and approaches that provide greater benefits;
- » Building a strong local community, including generation of employment and business opportunities;
- » Improved supplier relationships and identification of spend with locally based suppliers;
- » Avoidance of costs and resource demand responding to negative incidents or disruption in the supply chain;
- » Employee engagement in sustainability achievements and demonstrating alignment with values;
- » Meeting ratepayers' expectations and improving reputation with stakeholders

- » Compliance with obligations under the *WA Local Government Act 1995* and other legislative instruments;
- » Improvement of reputation within the marketplace and the community as a whole.

## WHAT SUSTAINABILITY IMPACTS DO LOCAL GOVERNMENTS HAVE?

Decisions made by Local Government have a significant influence on the quadruple bottom line, which include:

- » Internal processes and organisational operations can cause energy and resource use, or alternatively act as a positive role model for the wider community.
- » Design of built environments can affect energy use, travel behaviours, community cohesiveness, air quality, waste generated and resource use.
- » Delivery of core services such as waste collection and management of Local Government facilities can contribute to air pollution, health and safety impacts, and resource use, or alternatively contribute positively such as providing training and employment opportunities for disadvantaged people.
- » Management of natural reserves can impact biodiversity, weeds and pests as well as human quality of life and amenity.
- » Purchasing of products, services and works, may cause indirect environmental and social impacts locally such as influencing local employment and environmental pollution, as well as down the supply chain.

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**Sustainable procurement should therefore be viewed as best practice procurement and should not be viewed as an abstract, idealist goal but as a practical and achievable objective for all Local Governments.**

## HOW CAN LOCAL GOVERNMENT CONTRIBUTE TO SUSTAINABILITY?

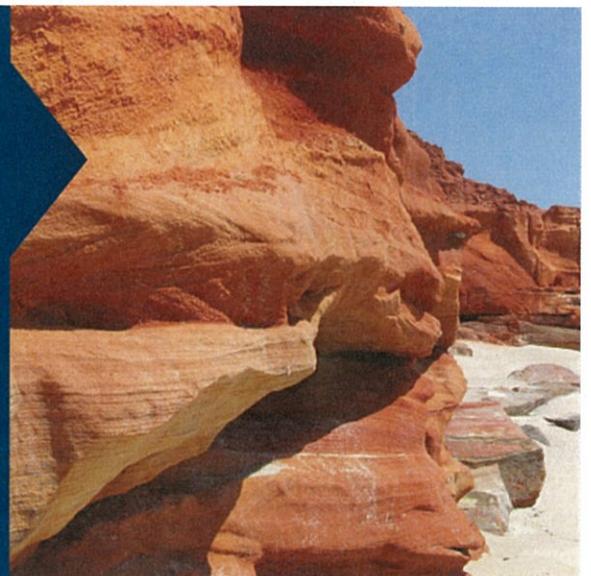
For a Local Government, sustainability is a resilient local community and economy, a healthy environment, strong governance and a financially viable organisation. In working toward sustainability, Local Government should integrate environmental, social and governance considerations into its decision-making processes to ensure the best outcomes for its community whilst ensuring that these decisions make good economic sense. There are several ways that Local Government can integrate sustainability into decision making which include:

- » Taking a long term holistic view in decision making by planning for and helping communities adapt to a resource constrained world, the effects of climate change and changing demographics.
- » Eliminating inequality by providing employment and training opportunities for marginalised groups, working to end

disadvantage and poverty especially in indigenous communities, enabling good health and well-being for all, providing equal opportunity and driving inclusiveness of diverse perspectives.

- » Safeguarding the human rights of all members of society. This includes vigilance against labour abuses within local businesses, suppliers and contractors and ensuring impacts to communities are considered in all decision making and in the supply chain.
- » Considering both the seen and unseen environmental impacts of works, services and products and minimising these through the supply chain, including water pollution, air pollution, contribution to climate change, biodiversity / ecosystem health and waste.
- » Leading by example by promoting the responsible use of resources. Excessive consumerism and low resource recovery leads to environmental degradation, social pressures and inequality.
- » Influencing contractors, state and federal authorities towards a more forward-thinking and sustainable approach. Contractors that do not share the same value may hinder the organisation's ability to meet goals and targets.

“ With up to 70% of spending by WA Local Governments attributed to the procurement of goods, works and services from external resources, it is essential to embed the above considerations into these purchasing decisions. The WALGA Procurement Toolkit\* provides practical guidance on how to achieve this. ”



\* Available from [www.walga.com.au](http://www.walga.com.au) by WALGA members who subscribe to WALGA Procurement Services.

Table 2: Asking the right questions

<p style="text-align: center;"><b>ASKING THE RIGHT QUESTIONS</b></p> <p style="text-align: center;">When any activity or decision by a Local Government is undertaken (either by internal or external resources), the following considerations should be made:</p>			
<b>ECONOMIC</b>	<b>ENVIRONMENTAL</b>	<b>SOCIAL</b>	<b>GOVERNANCE</b>
<p>Are our decisions or activities getting the best possible outcomes for rate payers and our bottom line?</p>	<p>Are our decisions or activities causing immediate or long term environmental impacts within the local community or in the supply chain? Is there an opportunity to deliver environmental benefits?</p>	<p>Are we considering the social aspects of our decisions and activities? Do these decisions support our goals of removing disadvantage, inequality, poverty, poor health and repression, and providing employment opportunities and other initiatives that support the local community?</p>	<p>Are we integrating sustainability into existing governance arrangements that is transparent, accountable, ethical and in line with our policies and procedures, the WA <i>Local Government Act 1995</i>, and other legislative instruments?</p>

# Western Australian Auditor General's Report



## Local Government Procurement



Report 5: October 2018-19

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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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**Local Government Procurement**

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Report 5  
October 2018-19



**THE PRESIDENT  
LEGISLATIVE COUNCIL**

**THE SPEAKER  
LEGISLATIVE ASSEMBLY**

### **LOCAL GOVERNMENT PROCUREMENT**

This report has been prepared for Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

This was a narrow scope performance audit, conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing and Assurance Standards. Narrow scope performance audits have a tight focus and generally target compliance with legislation, public sector policies and accepted good practice.

The audit objective was to determine if local governments have effective procurement arrangements in place.

I wish to acknowledge the cooperation of staff at the local governments included in this audit.

A handwritten signature in black ink, appearing to read 'Caroline Spencer'.

CAROLINE SPENCER  
AUDITOR GENERAL  
11 October 2018

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## Auditor General's overview

I am pleased to present this performance audit on aspects of local government procurement that require close attention.

Local governments in Western Australia manage more than \$40 billion in community assets and spend over \$4 billion annually on community infrastructure and services such as roads and footpaths, public halls, recreation facilities and rubbish collection.

Good procurement practices centred around the principles of probity, accountability and transparency are key to managing procurement risks and the delivery of good outcomes for ratepayers. When procurement processes are not followed, or local governments are seen not to be acting in the best interests of their communities, they face reputational damage and expose themselves to the risk of fraud and misconduct. Unfortunately, there are numerous recent reports from integrity agencies which highlight the very real consequences when procurement activities in the public sector are not managed effectively.

My report highlights weaknesses in procurement controls, processes and documentation across the 8 local governments we audited, as well as the need for them to build procurement capability to give staff the knowledge and skills to effectively carry out their jobs. These generally reflect areas for improvement identified in our previous audit reports about State Government entities as well as other public reports.

Some local governments disagreed with the significance of a number of control weaknesses identified. Local governments considered that a finding was not worthy of a 'significant' rating if the control weakness did not result in a breach of regulations or the audit did not find evidence of wrongdoing. While legislation places minimum specific requirements on local governments, they still need to ensure they have strong internal controls and good governance. Controls prevent things going wrong and are particularly important in financial management processes, where there is an inherent risk of financial misappropriation. I welcome discussion on this matter and am pleased all local governments have committed to amending their policies and procedures and improving internal controls over purchases, where required.

The findings from this audit have helped me identify areas worthy of future audit attention. Fostering enhanced understanding in the local government sector about the importance of strong internal control frameworks, around not only procurement, but over a wide range of areas, including information system security and regulatory functions, will be prioritised in our future work. I encourage all local governments to review their procurement practices against the focus areas of this audit.



# Executive summary

## Introduction

The objective of this audit was to assess the effectiveness of procurement arrangements at 8 local government entities (LGs) of varying sizes in both metropolitan and regional Western Australia.

## Background

There are currently 148<sup>1</sup> LGs in WA. The population and geographical spread of each LG varies significantly, from small regional LGs like the Shire of Sandstone with a population of around 90, to large metropolitan LGs like the City of Stirling with a population of around 220,000.

LGs in WA employ around 15,000 people and manage more than \$40 billion in community assets. In 2016-17, the total expenditure across all Western Australian LGs was over \$4 billion.

Procurement activities in LGs are primarily governed by the Local Government (Functions and General) Regulations 1996 (the Regulations). The Regulations require LGs to have policies for purchases that are expected to be less than \$150,000. LGs develop their own policies, which are required to cover things like the form (verbal or written) and minimum number of quotes that must be obtained, and how procurement information will be recorded and retained.

For purchases over \$150,000, the Regulations set specific requirements for public tender. These include advertising, acceptance and rejection of tender applications, notification of outcomes, and maintaining a tenders' register.

The Regulations also allow for exemptions from the public tender process, these include, but are not limited to:

- certain emergency situations
- if a contract is to be awarded through auction (with Council approval)
- if goods and services are obtained through the WA Local Government Association's (WALGA) Preferred Supplier Program – a program of suppliers that have been pre-qualified to supply certain goods and services. WALGA members, of which most LGs are, can access the program.

LGs that are members of WALGA can also access a procurement toolkit that includes purchasing and contract management templates. LGs that use WALGA services are still required to meet their own policy and probity requirements and comply with the Regulations.

There are a number of procurement processes and controls that help reduce broader procurement risks and support value for money (Figure 1). Some of these are covered in Regulations, others are based on sound practice.

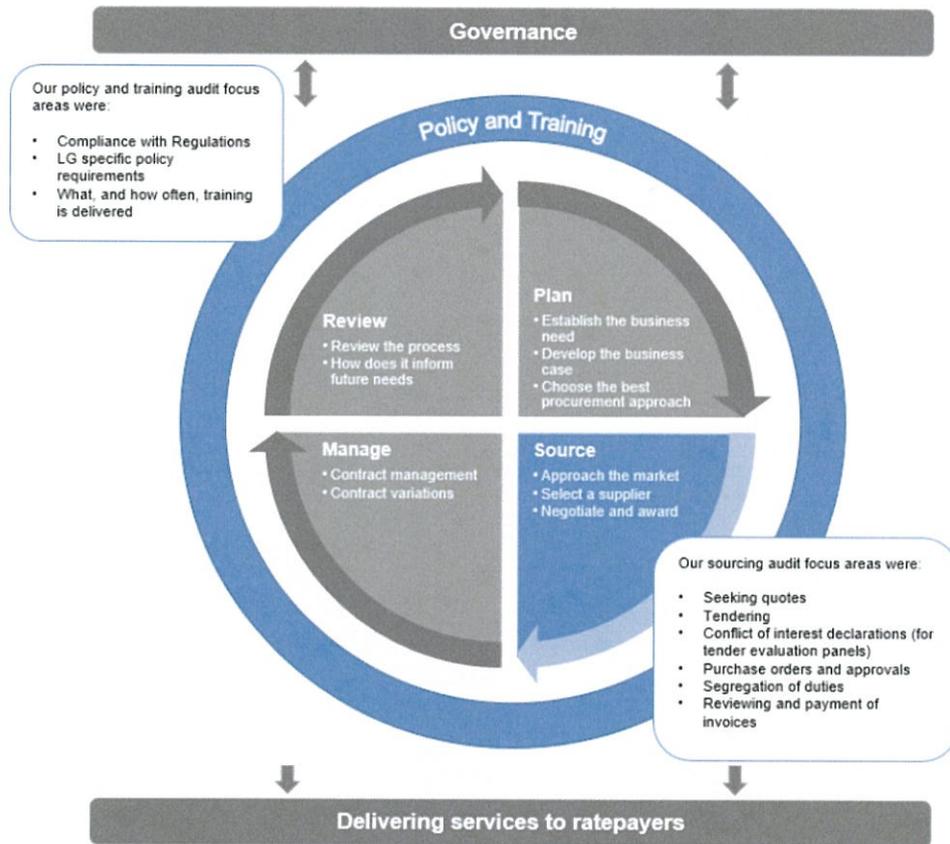
Due to a variety of factors affecting the way that LGs procure, we did not expect to find identical procurement practices across the LGs included in our audit. The audit therefore required significant judgement when assessing proper procurement practices. However, we did expect them to meet the principles of the *Local Government Act 1995* which places obligations on councils to oversee the allocation of the LG's finances and resources, and for determining the LG's policies, as well as for LGs to keep proper accounts and records.

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<sup>1</sup> This includes 137 LGs, 2 Indian Ocean territories and 9 regional councils.

Furthermore, LGs are required to establish efficient systems and procedures for financial management which includes procurement.

Our audit focus areas are set out in Appendix 1. We reviewed the processes and controls used by LGs, but we did not review if procurement decisions attained the best value for money or outcomes for LG communities.



Source: OAG, with blue shading showing areas within audit scope

**Figure 1: Procurement framework**

## Audit conclusion

All 8 local governments we reviewed had shortcomings in their procurement practices, most related to weak procurement controls, processes and documentation for tendering, purchase orders and approvals, and reviewing invoices and payment. However, we did not identify any evidence of misconduct.

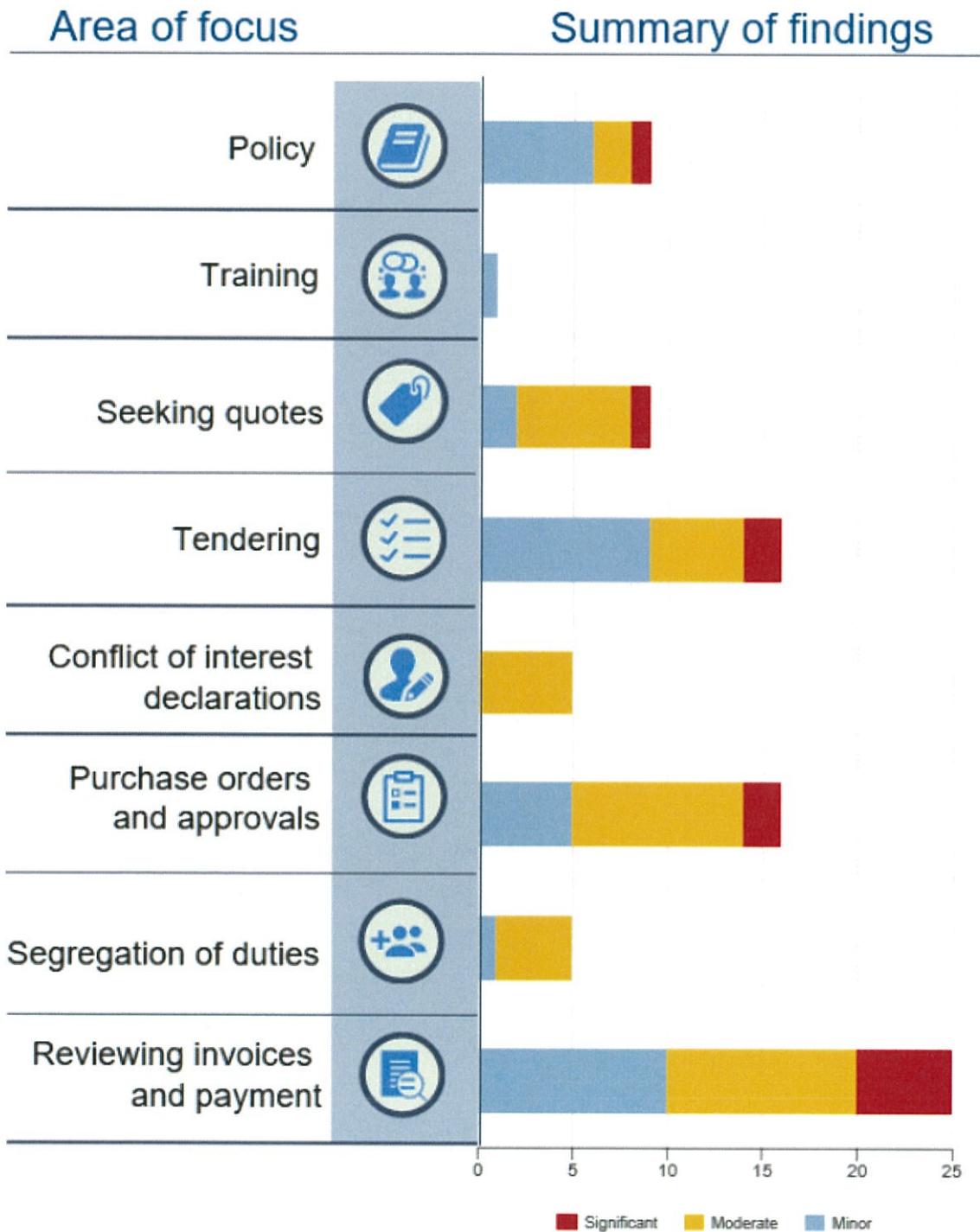
Local governments varied in how well they complied with legislation and their own procurement policies. While local government's policies broadly met regulatory requirements, they need to do more to monitor procurement controls and the effectiveness of processes. We saw no notable difference in the effectiveness of controls between the regional and metropolitan, and the small and large local governments we examined.

Having policies and controls that are appropriate, and monitoring their effectiveness is essential if local governments, and the ratepayers that they serve, are to have confidence in local government procurement activities. Procurement practices that focus solely on minimum compliance with legislation are unlikely to provide local governments with the oversight and control they need to address risks and ensure value for money in their procurement.

The issues identified in this audit are relatively simple to fix. By addressing them, governance of this important local government function can be strengthened.

## Summary

We reported 86 detailed findings across the 8 LGs. This included 11 significant findings across 5 LGs, and 41 moderate and 34 minor across all 8 LGs. Figure 2 shows the findings against all our audit focus areas.

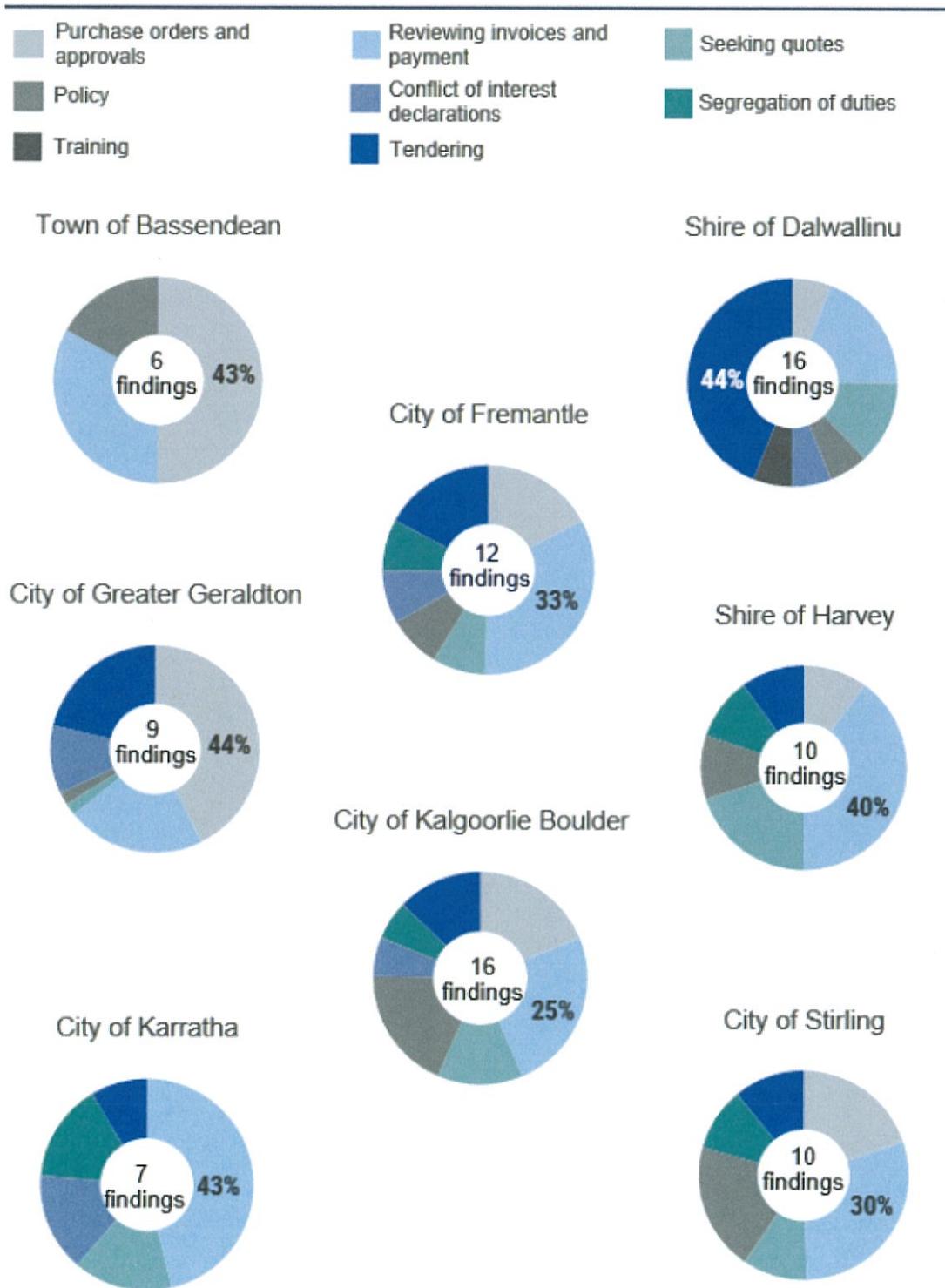


Source: OAG

Figure 2: Summary of key findings

## Findings per local government

The issues we identified represent weaknesses in key policy and control principles. Figure 3 shows the breakdown of findings for each of the 8 LGs we reviewed, and shows no specific trends across size or location of the LG.



Source: OAG

Figure 3: Key findings by LG

---

## Recommendations

All LGs, including those not sampled in this audit, should review their policies, processes and controls against the focus areas of our audit in Appendix 1.

Each LG we audited should provide an action plan to address this recommendation, table it with their Council, and make it available on their website, as per the *Local Government Act 1995*.

## **Response from local governments**

Local governments in our sample generally accepted our recommendations and confirmed that, where relevant, they have either amended their policies, procedures or administrative systems or will improve controls for monitoring and managing procurement activities.

## Audit focus and scope

The audit objective was to determine if LGs have effective procurement arrangements in place.

The specific lines of inquiry were:

- Have LGs established policies and procedures for procurement of goods and services?
- Is there effective oversight and control of procurement activities?

We visited and reviewed the following LGs:

- Town of Bassendean
- Shire of Dalwallinu
- City of Fremantle
- City of Greater Geraldton
- Shire of Harvey
- City of Kalgoorlie Boulder
- City of Karratha
- City of Stirling.

We assessed LGs against the policy, training, and sourcing audit focus areas shown in Appendix 1. This audit did not review if procurement decisions attained the best value for money or outcomes for LG communities.

At each LG we selected 20 transactions with a value under \$150,000. For these items we reviewed recordkeeping of procurement activities, segregation of duties, quote processes, decision and approval delegations, LG policy and compliance with the Regulations. We also reviewed LGs use of WALGA's Preferred Suppliers as a procurement route, but did not review the arrangements in place at WALGA.

We reviewed a separate sample of 5 tenders from each LG. We assessed them against the requirements in the Regulations, including where and how long they were advertised, how submissions were recorded, if assessments were completed and recorded and if tenderers were notified of outcomes. We also reviewed how LGs recorded and assessed declarations of interests for tender evaluation panels and where applicable, council agendas, minutes and reports.

This was a narrow scope performance audit, conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Assurance Standards ASAE 3500 Performance Engagements. We complied with the independence and other relevant ethical requirements related to assurance engagements. Performance audits primarily focus on the effective management of agency and LG programs and activities. The approximate cost of undertaking and tabling of this audit was \$470,000.

## Findings

### **While all LGs had procurement policies and procedures, they are not always effectively and consistently used**

All LGs had policies and training in place to support staff in the procurement process. However, we found examples where LG procurement activity did not comply with their own policies, either because staff did not understand the policy requirements, or the policy did not meet the LG's needs. This included instances where the purchasing method used did not comply with the LG's own policies:

- 5 of the 8 LGs had instances of staff not seeking and recording quotes in line with their own policies
- 2 LGs had purchases that should have gone to tender, but did not.

#### **LGs do not always purchase in line with their own policies**

We found 23 purchases across 5 LGs, one of which had 8 instances where staff did not obtain quotes or failed to record them in accordance with their policies. Seeking and recording quotes promotes open and effective purchasing. When LGs do not comply with their own policies it reduces the likelihood they will get value for money and increases the potential for misappropriation of funds.

We also identified 2 purchases at 2 LGs that should have gone to tender, but did not. One LG sought quotes for the purchase from a number of suppliers, but did not tender. The other accepted a quote from a single supplier. Neither process met the tender, or exemption requirements under the Regulations. Tendering for high value purchases supports LGs in understanding the market and encourages open and effective competition for suppliers.

#### **All LGs had procurement policies but there is opportunity to improve**

All 8 LGs we reviewed had purchasing policies. At the time of our audit, 1 LG had a high level policy which did not meet the requirements of the Regulations. The LG has since updated its policy to meet requirements.

LGs should review their policies to ensure things like purchasing thresholds and quote requirements reflect current needs. In doing this LGs demonstrate they meet regulatory requirements and their policies are fit for their purpose. The issues identified above, around non-compliance with policy, also highlight an opportunity for LGs to review the appropriateness of their policies. Non-compliance can indicate a lack of understanding by staff, or that policies no longer meet the needs of the LG.

#### **LGs provided staff with procurement training**

All 8 LGs provided procurement training to staff. Three LGs delivered procurement training programs that included both induction and set refresher sessions. We found the training content to be sound as it not only covered policy and legislative requirements, process and procedures, but also provided essential context around procurement compliance and probity.

The other 5 LGs provided training at induction, through on-the-job activities or as a result of policy updates. We found this training covered policy requirements, but provided less context around procurement risks and individual accountability. These LGs also lacked a clear approach to providing refresher training.

The Corruption and Crime Commission's 2015 *Report on Misconduct Risk in Local Government Procurement*<sup>2</sup> (CCC report) identified inadequate training as one of the risks common to procurement related misconduct in LGs. Structured training and regular refresher training helps LGs manage this risk and reduce the number of instances of non-compliance with LG policies.

## **LGs need better procurement oversight and controls**

We found weaknesses in key controls around approvals, segregation of duties, and checking of invoices at the 8 LGs. This exposes LGs to unnecessary procurement risks, such as improper use of funds or paying for goods and services not received.

### **Controls over raising and approving purchase orders could be improved**

We saw a range of control weaknesses over purchase orders across all LGs, these included:

- 5 purchase orders across 4 LGs that were approved by staff without the appropriate authority to do so. All LGs maintained lists of the role, position and dollar value limits of staff that are authorised to approve purchase orders. However, these approval limits were not always complied with, which increases the risk that goods or services are procured by someone without the proper experience or authority to determine the best value purchase for the LG.
- 13 instances across 5 LGs where purchase orders were raised after invoices were received. Purchase orders act as an internal approval and control mechanism to proceed with a purchase. These controls are ineffective if purchase orders are raised after goods and services have been received. It is not possible for the LG to determine who approved the initial request for the goods or services, and if they had the proper authority to do so.
- We found a small number of purchase orders at 3 LGs that were raised for \$0 or for a nominal value (e.g. \$0.91) that did not reflect the expected spend. This was despite there being a known budget, quote or existing contracts for many of these items. Purchase orders should be raised for the full, expected amount prior to the purchase being made and approved by someone with appropriate delegation. This increases the likelihood that expenditure will be capped or monitored.

### **LGs should strengthen processes for checking goods and services when receiving them**

We identified 36 invoices across 8 LGs that could not be verified against purchase orders, quotes or contracts. The invoices contained insufficient detail to reconcile them against agreed contract milestones and price schedules, but had still been approved for payment by the LG. The invoices included instances of LGs being overcharged and undercharged. Verifying invoices for payment is an important control to ensure that LGs have received the expected goods and services and that they have been correctly charged.

It is important that even small variances are checked as these are more likely to go undetected for long periods of time. The CCC Report identified supervisors not checking payment processes and work actually done on contracts as common risks to procurement related misconduct.

Sound practice is to ensure that there is evidence to support all transactions and that a clear audit trail exists. This includes documentation for contract payments, any variations, and reviewing supplier invoices for accuracy.

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<sup>2</sup> Corruption and Crime Commission. 2015. *Report on Misconduct Risk in Local Government Procurement*.

## **LGs had weaknesses in their segregation of duties**

Five of 8 LGs had not effectively segregated key steps in the procurement process or had insufficient records to show controls had been followed. For example:

- In 9 of the 20 purchases we reviewed at 1 LG, the same person had approved purchase orders, checked that goods and services had been received, and approved invoices to progress for payment. The 9 purchases totalled less than \$150,000.

Four LGs captured insufficient information for us to independently verify who was receiving goods and services and approving invoices to progress to payment. Without clear records the risk of inappropriate payments is increased and the effectiveness of monitoring controls is reduced.

Stronger controls would include, where possible, the implementation of automated systems that require segregation across the different procurement functions.

Segregation of duties is a key internal control which assumes the risk of two or more people making the same error or colluding to defraud is less than an individual acting alone<sup>3</sup>. The CCC Report identified failure to separate duties as a risk common to procurement related misconduct. The report cited the example of one person being able to be involved in various stages of organising contracts and authorising payments. Segregating duties is one key way LGs can reduce this risk.

In smaller LGs, where resources are limited and full segregation is more difficult, the increased involvement of other senior staff in checking purchases and controls can mitigate this risk.

While we identified weaknesses in individual segregations, we did not identify any purchases where one person was the sole approver for all steps in the process, including payment.

## **Procurement decisions and conflict of interest considerations need to be better documented**

To ensure accountable and transparent procurement activities LGs need to document key processes. This includes justifying the use of sole supplier exemptions, tendering decisions and potential conflicts of interests.

### **Exemptions from seeking quotes are regularly used, but are poorly documented and not always justified**

All 8 LGs claimed exemptions from procurement policies for purchases we reviewed. Exemptions can improve efficiency in procurement activities, but need to be properly managed and sufficiently justified. They should not be used to avoid testing the market. Of the 8 LGs:

- 5 LGs did not have sufficient records to support sole supplier exemptions, 3 LGs did.
- 1 LG used the sole supplier provisions 5 times for purchases totalling nearly \$150,000 but did not keep records to support these exemptions in line with its own policy. In 1 instance, when we requested support for the use of the sole supplier provision the LG advised that the supplier was an authorised distributor of a product, not that they were a sole supplier.

There are opportunities for LGs to be more transparent and efficient around when exemptions can be applied. For example, 1 LG achieved this by including a list of purchase types that were exempt from policy requirements (e.g. legal fees, utilities). Ideally this list

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<sup>3</sup> Western Australian Local Government Accounting Manual, Section 7 – Internal Control Framework, p 27.

would be approved by Council. Reporting higher value exemptions to Council, or a committee of Council (such as the Audit Committee) would also improve transparency and accountability. One LG already included this reporting mechanism in its policy.

### **Recording of tender processes and conflict of interests could be improved**

Under the Regulations tenders have a number of specific requirements. We found 7 LGs could improve the information they captured on tender processes, for example:

- proof of when and where tenders have been advertised
- individual tender panel assessments
- sufficient detail in individual panel member workbooks to support awarding of scores.

Complete records provide transparency that tenders are handled and assessed in line with regulatory requirements and the LG's policy. All LGs are required to maintain a Tenders Register and make it available for public inspection. All LGs maintained a public register but only 1 had the information available on its website. Making the register available online can reduce barriers to how the public accesses the information and increase confidence in tender processes.

We found 1 LG did not have a clear record to support why Council did not accept the tender evaluation panel's recommendation. Evaluation panels only make a recommendation to Council, who are not obliged to accept the recommendation. However, keeping a record of Council's reasons for not following a tender panel's recommendation supports the principle of transparent and accountable decision making and the requirement to keep proper records of the affairs of the LG.

We also identified weaknesses in how 5 LGs recorded declarations of interest for tender evaluation panel members. Declaring an interest doesn't automatically exclude someone from taking part in the evaluation process. However, there should be a clear record that a declaration has been made and signed, reviewed by someone with appropriate authority, and assessed as to whether it results in an actual, potential or perceived conflict of interest. The decision made on how to remove or manage the conflict should be clearly recorded. Weaknesses we identified are shown in Figure 4.

### **Declarations of interest and management of conflicts – Tender panels**

Four of the 8 LGs we reviewed had weak processes:

- 2 LGs required panel member declarations of interest, but for some samples none were recorded and for other samples some panel member declarations were retained, but others were missing
- 1 LG had instances of incomplete and unsigned panel member declarations
- 1 LG had 3 instances where panel members had declared interests and they were appropriately recorded. However, it was not clear how the interests were addressed. In all but 1 instance the panel member remained on the evaluation panel.

One LG only required panel members to complete a declaration if a conflict existed. Providing positive assurance by requiring declarations from all panel members is a sound approach that encourages all staff to engage with the process and consider if any real or perceived conflicts of interest exist.

**Figure 4: Weaknesses in the management of conflict of interest declarations**

## Appendix 1: Audit focus areas

The following table shows our audit focus areas. They cover a number of sound procurement practices and controls, and are not intended as an exhaustive list.

Procurement Framework	Focus Area	What we expected to see:
<b>Policy</b>	<i>Policy</i>	<ul style="list-style-type: none"> <li>• LGs regularly review policy to assess if value thresholds and quote requirements reflect current needs</li> <li>• policies are clear about when and how to apply exemptions</li> </ul>
<b>Training</b>	<i>Training</i>	<ul style="list-style-type: none"> <li>• LGs provide all staff involved in the procurement process with training in relevant policy and processes</li> <li>• training emphasises personal accountability and how probity and transparency relate to procurement</li> <li>• LGs provide staff with refresher training</li> </ul>
<b>Sourcing</b>	<i>Seeking quotes</i>	<ul style="list-style-type: none"> <li>• that business requirements were determined prior to engaging suppliers</li> <li>• LG staff used the right purchasing method, as required by their own policies and the Regulations</li> <li>• that the use of exemptions was justified and documented</li> </ul>
	<i>Tendering</i>	<ul style="list-style-type: none"> <li>• that tenders were advertised, opened, assessed and recorded in line with the Regulations</li> <li>• documentation was retained to support open, fair and transparent decisions, and show that processes have been followed</li> <li>• that a Tenders Register was maintained in line with Regulations</li> </ul>
	<i>Conflict of interest</i>	<ul style="list-style-type: none"> <li>• that tender evaluation panel members provide positive assurance declarations</li> <li>• that declarations were retained and there was a record of how they were assessed and how any conflicts were addressed</li> </ul>
	<i>Purchase orders and approvals</i>	<ul style="list-style-type: none"> <li>• that purchase orders were raised for the full expected amount of the procurement</li> <li>• purchase orders were approved by staff with appropriate authority</li> <li>• internal approvals were obtained before goods and services were purchased</li> </ul>
	<i>Segregation of duties</i>	<ul style="list-style-type: none"> <li>• appropriate segregation of duties across the procurement process</li> </ul>
	<i>Reviewing invoices and payments</i>	<ul style="list-style-type: none"> <li>• any differences between invoice charges and quoted or contracted rates had been reviewed and appropriately justified</li> <li>• goods and services were received and approved by staff with appropriate authority</li> <li>• that there were strong controls around payment of suppliers and access to bank accounts</li> <li>• documentation was retained to support open, fair and transparent decisions, and show that processes have been followed</li> </ul>

## Auditor General's reports

Report number	2018-19 reports	Date tabled
4	Opinions on Ministerial Notifications	30 August 2018
3	Implementation of the GovNext-ICT Program	30 August 2018
2	Young People Leaving Care	22 August 2018
1	Information Systems Audit Report 2018	21 August 2018
Report number	2018 reports	Date tabled
13	Management of Crown Land Site Contamination	27 June 2018
12	Timely Payment of Suppliers	13 June 2018
11	WA Schools Public Private Partnership Project	13 June 2018
10	Opinions on Ministerial Notifications	24 May 2018
9	Management of the State Art Collection	17 May 2018
8	Management of Salinity	16 May 2018
7	Controls Over Corporate Credit Cards	8 May 2018
6	Audit Results Report – Annual 2017 Financial Audits and Management of Contract Extensions and Variations	8 May 2018
5	Confiscation of the Proceeds of Crime	3 May 2018
4	Opinions on Ministerial Notifications	11 April 2018
3	Opinion on Ministerial Notification	21 March 2018
2	Agency Gift Registers	15 March 2018
1	Opinions on Ministerial Notifications	22 February 2018

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# **ATTACHMENT NO. 2**



CEO

Town of Bassendean

PO Box 87

Bassendean 6934

Dear Sir/Madam

**RE: Morley Baptist Church Application for Rates Exemption**

**Rates Assessment No A53532 Reference No 1000535321**

We wish to apply for the exemption we were granted last year to be extended for this year.

The activities of the church have not changed and are related to being a place of worship.

Should you have any questions please call on 0404047093.

Thank you in anticipation

A handwritten signature in black ink, appearing to be "Terry Hicks", written over a circular stamp or seal.

Terry Hicks

Administration Manager

24<sup>th</sup> August 2018

MORLEY BAPTIST CHURCH INC.  
33 Hanwell Way, Bassendean, WA, 6054  
08 9377 3413 | [reception@morleybaptist.org.au](mailto:reception@morleybaptist.org.au) | [morleybaptist.org.au](http://morleybaptist.org.au)  
ABN: 72 039 391 474

# **ATTACHMENT NO. 3**



**Audited Annual Financial Report**

**For the year ended the**

**30 June 2018**

**TOWN OF BASSENDEAN**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

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**COMMUNITY VISION**

"A connected community, developing a vibrant and sustainable future, that is built upon the foundations of our past."



**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
<b>Revenue</b>				
Rates	23(a)	13,184,183	12,935,762	12,618,835
Operating grants, subsidies and contributions	2(a)	3,063,580	2,364,274	3,072,446
Fees and charges	2(a)	5,892,776	5,838,490	5,714,467
Interest earnings	2(a)	507,169	452,821	524,551
Other revenue		771,438	632,977	720,383
		<u>23,419,146</u>	<u>22,224,324</u>	<u>22,650,682</u>
<b>Expenses</b>				
Employee costs		(11,865,527)	(11,383,091)	(11,670,989)
Materials and contracts		(7,089,841)	(8,304,553)	(6,552,966)
Utility charges		(655,370)	(711,844)	(692,324)
Depreciation on non-current assets	10(b)	(3,284,278)	(3,266,812)	(3,314,436)
Interest expenses	2(b)	(57,423)	(61,115)	(65,682)
Insurance expenses		(435,443)	(462,957)	(513,844)
Other expenditure		(1,021,510)	(954,094)	(1,047,411)
		<u>(24,409,392)</u>	<u>(25,144,466)</u>	<u>(23,857,652)</u>
<b>Operating Result from Continuous Operations</b>				
		(990,245)	(2,920,142)	(1,206,970)
Non-operating grants, subsidies and	2 (a)	661,225	1,478,462	1,086,544
Profit on asset disposals	10(a)	3,773	-	-
(Loss) on asset disposals	10(a)	(59,590)	(18,023)	(9,000)
Net Share of Interest in Joint Venture - EMRC	19	430,004	-	202,422
Investment in WALGA House	4	(64)	-	(16,888)
		<u>1,035,348</u>	<u>1,460,439</u>	<u>1,263,078</u>
<b>Net result</b>				
		<u>45,102</u>	<u>(1,459,702)</u>	<u>56,108</u>
<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	11	4,318,562	-	24,562,854
<b>Total other comprehensive income</b>		<u>4,318,562</u>	<u>-</u>	<u>24,562,854</u>
<b>Total comprehensive income</b>		<u>4,363,664</u>	<u>(1,459,702)</u>	<u>24,618,962</u>

This statement is to be read in conjunction with the accompanying notes.

**STATEMENT OF COMPREHENSIVE INCOME  
BY PROGRAM  
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
<b>Revenue</b>				
Governance		17,489	30,000	52,405
General purpose funding		14,410,752	13,836,253	14,153,998
Law, order, public safety		129,066	131,500	165,281
Health		2,677,209	2,657,320	2,511,463
Education and welfare		5,312,972	4,653,710	4,833,557
Community amenities		142,099	136,500	130,955
Recreation and culture		444,157	317,650	378,153
Transport		74,697	131,315	39,904
Economic services		105,471	131,176	107,424
Other property and services		105,234	198,900	277,542
		<u>23,419,146</u>	<u>22,224,324</u>	<u>22,650,682</u>
<b>Expenses</b>				
Governance		(946,022)	(915,059)	(874,524)
General purpose funding		(798,180)	(850,093)	(802,902)
Law, order, public safety		(653,579)	(693,558)	(687,682)
Health		(2,903,767)	(3,225,954)	(2,995,821)
Education and welfare		(5,456,370)	(5,099,480)	(5,338,794)
Community amenities		(1,247,647)	(1,451,670)	(1,308,387)
Recreation and culture		(6,112,060)	(6,572,181)	(6,276,217)
Transport		(5,557,989)	(5,619,401)	(4,829,560)
Economic services		(551,530)	(565,288)	(544,249)
Other property and services		(124,825)	(90,666)	(133,834)
		<u>(24,351,969)</u>	<u>(25,083,350)</u>	<u>(23,791,970)</u>
<b>Finance Costs</b>				
Governance		(17,255)	(17,387)	(18,528)
Recreation and culture		(40,168)	(43,728)	(47,154)
		<u>(57,423)</u>	<u>(61,115)</u>	<u>(65,682)</u>
<b>Operating Result from Continuous Operations</b>				
		(990,246)	(2,920,141)	(1,206,970)
Non-operating grants, subsidies and contributions				
	2 (a)	661,225	1,478,462	1,086,544
Profit on disposal of assets	10(a)	3,773	-	-
(Loss) on disposal of assets	10(a)	(59,590)	(18,023)	(9,000)
Net Share of Interest in Joint Venture - EMRC	19	430,004	-	202,422
Investment in WALGA House	4	(64)	-	(16,888)
		<u>1,035,348</u>	<u>1,460,439</u>	<u>1,263,078</u>
<b>Net result</b>				
		<u>45,102</u>	<u>(1,459,702)</u>	<u>56,108</u>
<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	11	4,318,562	-	24,562,854
<b>Total other comprehensive income</b>		<u>4,318,562</u>	<u>-</u>	<u>24,562,854</u>
<b>Total comprehensive income</b>		<u>4,363,664</u>	<u>(1,459,702)</u>	<u>24,618,962</u>

This statement is to be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2018**

	NOTE	2018	2017
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	11,344,227	10,475,121
Trade and other receivables	6	1,124,301	1,023,022
Inventories	7	15,018	13,333
<b>TOTAL CURRENT ASSETS</b>		<b>12,483,546</b>	<b>11,511,476</b>
<b>NON-CURRENT ASSETS</b>			
Investments	4	108,268	108,332
Other receivables	6	562,330	571,885
Property, plant and equipment	8	56,195,749	56,216,070
Infrastructure	9	109,135,859	105,885,478
Interests in Joint Ventures	19	7,954,836	7,538,343
<b>TOTAL NON-CURRENT ASSETS</b>		<b>173,957,042</b>	<b>170,320,108</b>
<b>TOTAL ASSETS</b>		<b>186,440,588</b>	<b>181,831,584</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	3,601,168	3,402,910
Current portion of long term borrowings	13(a)	132,880	123,994
Provisions	14	2,249,870	2,110,469
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,983,918</b>	<b>5,637,373</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	13(a)	678,500	811,380
Provisions	14	233,509	201,834
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>912,009</b>	<b>1,013,214</b>
<b>TOTAL LIABILITIES</b>		<b>6,895,927</b>	<b>6,650,587</b>
<b>NET ASSETS</b>		<b>179,544,661</b>	<b>175,180,997</b>
<b>EQUITY</b>			
Retained surplus		30,952,646	31,816,487
Reserves - cash backed	5	5,710,258	4,801,315
Revaluation surplus	11	142,881,757	138,563,195
<b>TOTAL EQUITY</b>		<b>179,544,661</b>	<b>175,180,997</b>

This statement is to be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	RETAINED SURPLUS	RESERVES CASH/INVESTMENT BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
<b>Balance as at 1 July 2016</b>		<b>31,888,678</b>	<b>4,673,020</b>	<b>114,000,340</b>	<b>150,562,035</b>
Comprehensive income					
Net result		56,108	-	-	56,108
Changes on revaluation of assets	11	-	-	24,562,854	24,562,854
Total comprehensive income		56,108	-	24,562,854	24,618,962
Transfers from/(to) reserves		(128,296)	128,296	-	-
<b>Balance as at 30 June 2017</b>		<b>31,816,487</b>	<b>4,801,315</b>	<b>138,563,195</b>	<b>175,180,997</b>
Comprehensive income					
Net result		45,102	-	-	45,102
Changes on revaluation of assets	11	-	-	4,318,562	4,318,562
Total comprehensive income		45,102	-	4,318,562	4,363,664
Transfers from/(to) reserves		(908,943)	908,943	-	-
<b>Balance as at 30 June 2018</b>		<b>30,952,646</b>	<b>5,710,258</b>	<b>142,881,757</b>	<b>179,544,661</b>

This statement is to be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		13,033,929	12,882,806	12,649,066
Operating grants, subsidies and contributions		3,063,580	2,372,274	3,072,445
Fees and charges		5,884,520	5,838,490	5,492,673
Interest earnings		511,003	452,821	524,551
Goods and services tax		1,034,974	-	971,140
Other revenue		766,253	632,977	720,383
		<u>24,294,259</u>	<u>22,179,368</u>	<u>23,430,258</u>
<b>Payments</b>				
Employee costs		(11,686,212)	(11,377,547)	(11,234,999)
Materials and contracts		(7,089,841)	(8,040,124)	(6,552,966)
Utility charges		(655,370)	(711,844)	(692,324)
Interest expenses		(58,333)	(61,115)	(66,527)
Insurance expenses		(435,443)	(462,957)	(513,844)
Goods and services tax		(1,022,931)	-	(1,027,898)
Other expenditure		(1,044,596)	(954,094)	(1,047,411)
		<u>(21,992,726)</u>	<u>(21,607,681)</u>	<u>(21,135,969)</u>
<b>Net cash provided by (used in) operating activities</b>	15	<u>2,301,533</u>	<u>571,687</u>	<u>2,294,289</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(658,596)	(1,499,062)	(580,054)
Payments for construction of infrastructure		(1,614,522)	(3,600,242)	(1,647,718)
Non-operating grants, subsidies and contributions		661,225	1,478,462	1,086,544
Proceeds from the sale of fixed assets		35,036	605,150	5,500
<b>Net cash provided by (used in) investment activities</b>		<u>(1,576,857)</u>	<u>(3,015,692)</u>	<u>(1,135,728)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of long term borrowings		(123,993)	(123,995)	(115,710)
Proceeds from self supporting loans		21,134	19,779	18,509
Trust Transfers		247,289	200,000	(89,488)
Deferred Income Sports Clubs		-	-	8,000
<b>Net cash provided by (used in) financing activities</b>		<u>144,430</u>	<u>95,784</u>	<u>(178,689)</u>
<b>Net increase (decrease) in cash held</b>		869,106	(2,348,221)	979,872
Cash at beginning of year		10,475,121	10,656,168	9,495,249
<b>Cash and cash equivalents at the end of the year</b>	15	<u><u>11,344,227</u></u>	<u><u>8,307,947</u></u>	<u><u>10,475,121</u></u>

**RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>		2,184,378	2,531,579	1,345,706
		<hr/>	<hr/>	<hr/>
		2,184,378	2,531,579	1,345,706
<b>Revenue from operating activities (excluding rates)</b>				
Governance		17,489	30,000	52,405
General purpose funding		1,497,270	900,491	1,535,163
Law, order, public safety		129,066	131,500	165,281
Health		2,677,209	2,657,320	2,511,463
Education and welfare		5,312,972	4,653,710	4,833,555
Community amenities		142,099	136,500	130,955
Recreation and culture		444,157	317,650	378,153
Transport		74,697	131,315	39,904
Economic services		105,471	131,176	107,424
Other property and services		109,007	198,900	277,542
		<hr/>	<hr/>	<hr/>
		10,509,437	9,288,562	10,031,845
<b>Expenditure from operating activities</b>				
Governance		(963,277)	(932,447)	(874,525)
General purpose funding		(798,180)	(850,093)	(821,430)
Law, order, public safety		(653,579)	(693,558)	(687,682)
Health		(2,903,767)	(3,225,954)	(2,995,821)
Education and welfare		(5,456,370)	(5,099,480)	(5,338,794)
Community amenities		(1,247,647)	(1,451,670)	(1,308,387)
Recreation and culture		(6,152,228)	(6,615,908)	(6,323,371)
Transport		(5,557,989)	(5,619,401)	(4,829,559)
Economic services		(551,530)	(565,288)	(544,249)
Other property and services		(184,415)	(108,690)	(142,834)
		<hr/>	<hr/>	<hr/>
		(24,468,982)	(25,162,488)	(23,866,652)
<b>Operating activities excluded</b>				
(Profit) on disposal of assets	10(a)	(3,773)	-	-
Loss on disposal of assets	10(a)	59,590	18,023	9,000
Movement of Non-Current Debtors		-	-	8,000
Movement in deferred pensioner rates (non-current)		(11,579)	-	(8,200)
Movement in employee benefit provisions (non-current)		31,675	-	7,715
Depreciation on assets	10(b)	3,284,278	3,266,812	3,314,436
Employee Cash Backed Provision		12,878	24,000	84,917
		<hr/>	<hr/>	<hr/>
<b>Amount attributable to operating activities</b>		(8,402,098)	(10,033,512)	(9,073,233)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		661,225	1,478,462	1,086,544
Proceeds from disposal of assets	10(a)	35,036	605,150	5,500
Purchase of property, plant and equipment	8(b)	(658,596)	(1,499,062)	(580,054)
Purchase and construction of infrastructure	9(b)	(1,614,522)	(3,600,242)	(1,647,718)
		<hr/>	<hr/>	<hr/>
<b>Amount attributable to investing activities</b>		(1,576,857)	(3,015,692)	(1,135,728)
<b>FINANCING ACTIVITIES</b>				
Repayment of Debentures	13(a)	(123,993)	(123,995)	(115,711)
Proceeds from self supporting loans		19,778	19,779	18,511
Transfers to reserves (restricted assets)	5	(1,327,865)	(821,361)	(465,944)
Transfers from reserves (restricted assets)	5	418,922	1,077,343	337,648
		<hr/>	<hr/>	<hr/>
<b>Amount attributable to financing activities</b>		(1,013,158)	151,766	(225,496)
		<hr/>	<hr/>	<hr/>
<b>Surplus(deficiency) before general rates</b>		(10,992,113)	(12,897,438)	(10,434,457)
<b>Total amount raised from general rates</b>	23	12,913,482	12,935,762	12,618,835
		<hr/>	<hr/>	<hr/>
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	24	<b>1,921,369</b>	<b>38,324</b>	<b>2,184,378</b>

This statement is to be read in conjunction with the accompanying notes.

## 1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have 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. Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair liabilities.

### CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with 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.

### CRITICAL ACCOUNTING ESTIMATES (Continued)

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 which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the Town 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.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 26 to these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**2. REVENUE AND EXPENSES**

<b>(a) Revenue</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
	<b>\$</b>	<b>\$</b>
<b>Other revenue</b>		
Reimbursements and recoveries	10,319	13,593
	<u>10,319</u>	<u>13,593</u>
<b>Fees and Charges</b>		
General purpose funding	113,827	118,894
Law, order, public safety	58,839	71,745
Health	2,676,363	2,509,397
Education and welfare	2,554,158	2,423,435
Community amenities	135,945	130,248
Recreation and culture	244,334	244,852
Transport	8,673	5,928
Economic services	60,429	86,879
Other property and services	40,208	123,089
	<u>5,892,776</u>	<u>5,714,467</u>

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

## 2. REVENUE AND EXPENSES (Continued)

### (a) Revenue (Continued)

#### Grant Revenue

Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:

	2018	2017
	\$	\$
<b>Operating grants, subsidies and contributions</b>		
General purpose funding	520,525	824,141
Law, order, public safety	56,090	64,912
Education and welfare	2,330,052	2,131,671
Recreation and culture	106,739	51,722
Transport	50,174	-
	<u>3,063,580</u>	<u>3,072,446</u>
<b>Non-operating grants, subsidies and contributions</b>		
Law, order, public safety	3,864	35,564
Education and welfare	40,000	75,905
Recreation and culture	39,965	94,584
Transport	577,396	880,491
	<u>661,225</u>	<u>1,086,544</u>
Total grants, subsidies and contributions	<u>3,724,805</u>	<u>4,158,990</u>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Grants, Donations and Other Contributions

Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

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

**Grants, Donations and Other Contributions (Continued)**  
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 22. 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 operations.

#### Interest earnings

- Reserve funds  
- Other funds  
Other interest revenue (refer note 23(e))

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
- Reserve funds	113,190	108,000	118,429
- Other funds	235,387	180,000	236,971
Other interest revenue (refer note 23(e))	158,592	164,821	169,151
	<u>507,169</u>	<u>452,821</u>	<u>524,551</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>Auditors remuneration</b>		
- Audit of the Annual Financial Report	19,420	17,920
- Other Audit Services	2,300	2,300
- Internal Audit Fees, Support and Training	30,389	41,720
	<u>52,109</u>	<u>61,940</u>
<b>Interest expenses (finance costs)</b>		
Long term borrowings (refer Note 13(a) )	57,423	65,682
	<u>57,423</u>	<u>65,682</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**3. CASH AND CASH EQUIVALENTS**

	NOTE	2018	2017
		\$	\$
Unrestricted		3,412,701	3,699,827
Restricted		7,931,526	6,775,294
		<u>11,344,227</u>	<u>10,475,121</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Employee Entitlements Reserve	5	1,020,253	1,007,375
Plant & Equipment Reserve	5	384,098	379,102
Community Facilities Reserve	5	51,965	37,139
Land & Building Infrastructure Reserve	5	1,829,829	1,843,265
Waste Management Reserve	5	738,910	288,744
Wind in the Willows Childcare Reserve	5	89,841	53,361
Aged Persons Reserve	5	484,371	470,210
Youth Development Reserve	5	28,329	27,529
Cultural Events Reserve	5	-	5,163
Self Insurance Reserve	5	-	8,199
Underground Power Reserve	5	81,757	79,452
Roads and Drainage Infrastructure Reserve	5	417,421	114,111
HACC Asset Replacement Reserve	5	129,113	151,861
Unspent Grants Reserve	5	454,371	335,803
		<u>5,710,258</u>	<u>4,801,315</u>
<b>Other Restrictions</b>			
Hyde Retirement Village Retention Bonds		259,648	173,600
Other Bonds and Deposits		1,961,619	1,800,380
		<u>2,221,267</u>	<u>1,973,980</u>
		<u><u>7,931,526</u></u>	<u><u>6,775,294</u></u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk

**Cash and cash equivalents (Continued)**

of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities the statement of financial position.

#### 4. FINANCIAL ASSETS

Investment in WALGA Local Government House Trust

	2018	2017
	\$	\$
	108,268	108,332
	108,268	108,332

#### INVESTMENT IN WALGA LOCAL GOVERNMENT HOUSE TRUST

The equity the Town has in the Local Government House Trust is 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 Trust, 7 of which are held by the Town.

#### SIGNIFICANT ACCOUNTING POLICIES

##### Classification and subsequent measurement

(i) Financial assets at fair value through profit and loss  
Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

##### (ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Town has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

##### (iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

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.

##### Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Impairment (Continued)

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

##### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Town becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Town 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.

##### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Town no longer has any significant continual involvement in the risks and benefits associated with the asset.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

5. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Employee Entitlements Reserve	1,007,375	12,878	-	1,020,253	1,007,375	24,000	-	1,031,375	922,458	84,917	-	1,007,375
Plant & Equipment Reserve	379,102	10,996	(6,000)	384,098	379,103	8,634	(29,000)	358,737	369,025	10,078	-	379,103
Community Facilities Reserve	37,139	14,827	-	51,965	37,139	14,512	-	51,651	36,152	987	-	37,139
Land & Building Infrastructure Reserve	1,843,265	53,466	(66,903)	1,829,829	1,843,265	591,982	(800,000)	1,635,247	1,794,264	49,001	-	1,843,265
Waste Management Reserve	288,744	450,166	-	738,910	438,744	111,815	-	550,559	281,068	7,676	-	288,744
Wind in the Willows Childcare Reserve	53,361	75,604	(39,124)	89,841	103,362	1,215	(40,000)	64,577	51,943	1,419	-	53,361
Aged Persons Reserve	470,210	14,161	-	484,371	470,209	10,709	-	480,918	525,303	14,346	(69,440)	470,209
Youth Development Reserve	27,529	799	-	28,329	27,529	627	-	28,156	26,797	732	-	27,529
Cultural Events Reserve	5,163	108	(5,271)	-	5,162	-	(5,162)	-	5,025	137	-	5,162
Self Insurance Reserve	8,199	172	(8,370)	-	8,199	-	(8,199)	-	7,981	218	-	8,199
Underground Power Reserve	79,452	2,305	-	81,757	79,453	1,810	-	81,263	77,341	2,112	-	79,453
Roads and Drainage Infrastructure Reserve	114,111	303,310	-	417,421	114,111	2,599	-	116,710	111,077	3,034	-	114,111
HACC Asset Replacement Reserve	151,861	4,405	(27,153)	129,113	151,860	3,459	(65,000)	90,319	307,070	6,146	(161,356)	151,860
Unspent Grants Reserve	335,803	384,669	(266,101)	454,371	251,875	50,000	(129,982)	171,893	157,514	285,141	(106,852)	335,803
	4,801,315	1,327,865	(418,922)	5,710,258	4,917,386	821,362	(1,077,343)	4,661,404	4,673,018	465,944	(337,648)	4,801,315

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

In accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Purpose of the reserve
Plant & Equipment Reserve	To accrue funds for the purpose of replacement of major plant items.
Community Facilities Reserve	To accrue funds for major expenditure in the provision of community facilities.
Land & Building Infrastructure Reserve	To hold funds accrued as a result of sale of land and buildings and for the provisions of funds for the purchase and development of land, and building infrastructure.
Waste Management Reserve	To accrue funds for the purpose of renewal or upgrade of waste management services.
Wind in the Willows Childcare Reserve	To accrue funds for the purpose of asset improvement in the Centre and to cater for future surplus or deficit from operations.
Aged Persons Reserve	To accrue funds to provide for the operational deficit, refurbishment and capital expenses, for Hyde Retirement Village.
Youth Development Reserve	To provide funds for activities and facilities for the benefit of youth in the Town.
Underground Power Reserve	To accrue funds for engaging consultants to consider the implementation of Underground Power.
Roads and Drainage Infrastructure Reserve	To provide for the renewal and upgrade of the road and drainage network.
HACC Asset Replacement Reserve	To provide funding for support of community care programs for senior and disability services
Unspent Grants Reserve	To provide for unspent funding received as grant contributions to Works and Services.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**6. TRADE AND OTHER RECEIVABLES**

**Current**

	2018	2017
	\$	\$
Rates Outstanding	782,386	754,709
Sundry Debtors - General	131,908	123,652
GST Receivable	122,316	112,759
Accrued Interest	613	4,446
Sundry Debtors - SSL	21,134	19,779
Long Service Leave Due from Other Councils	65,944	52,633
Sundry Debtors - Other	-	8,000
Provision for Doubtful Debts	-	(52,956)
	1,124,301	1,023,022

**Non-current**

Rates Outstanding - Pensioners	334,587	323,008
Loans receivable - clubs/institutions	227,743	248,877
	562,330	571,885

Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

Includes:

Past due and not impaired	782,386	754,709
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**Sundry debtors**

Includes:

Past due and not impaired	131,658	123,652
Impaired	250	-

**SIGNIFICANT ACCOUNTING POLICIES**

**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.

**Classification and subsequent measurement**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**7. INVENTORIES**

**Current**

Fuel and Materials

	2018	2017
	\$	\$
	15,018	13,333
	<u>15,018</u>	<u>13,333</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**General**

Inventories are measured 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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**8 (a). PROPERTY, PLANT AND EQUIPMENT**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Land and buildings		
Land		
- Independent Valuation 2017 - Level 2	36,357,000	36,357,000
	<u>36,357,000</u>	<u>36,357,000</u>
Total land	<u>36,357,000</u>	<u>36,357,000</u>
Buildings - specialised at:		
- Independent valuation 2017 - Level 3	25,757,805	25,757,805
Additions after Valuation - cost	387,420	-
Less: accumulated depreciation	(7,784,939)	(7,301,045)
	<u>18,360,286</u>	<u>18,456,760</u>
Total buildings	<u>18,360,286</u>	<u>18,456,760</u>
Total land and buildings	<u>54,717,286</u>	<u>54,813,760</u>
Plant and equipment at:		
- Independent valuation 2016- Level 2	1,898,330	1,898,330
- Independent valuation 2016- Level 3	714,601	714,601
Additions after Valuation	231,433	112,740
Less: accumulated depreciation	(1,528,248)	(1,538,536)
- Less Disposals after valuation	(200,146)	(21,035)
	<u>1,115,970</u>	<u>1,166,100</u>
Furniture and equipment at:		
- Management valuation 2016 - Level 3	165,239	165,239
Additions after Valuation	256,598	104,115
Less: accumulated depreciation	(121,964)	(95,764)
	<u>299,873</u>	<u>173,590</u>
Artworks		
- Management Valuation 2018 - Level 2	62,620	62,620
	<u>62,620</u>	<u>62,620</u>
<b>Total property, plant and equipment</b>	<u><u>56,195,749</u></u>	<u><u>56,216,070</u></u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land - freehold land	Total land	Buildings - specialised	Total buildings	Total land and buildings	Plant and equipment	Furniture and equipment	Minor Assets (Arts Works)	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	21,878,884	21,878,884	14,983,261	14,983,261	36,862,145	1,137,273	85,955	62,620	38,147,994
Additions	50,656	50,656	312,544	312,544	363,200	112,740	104,115	-	580,054
(Disposals)	-	-	-	-	-	(14,500)	-	-	(14,500)
Revaluation increments/ (decrements) transferred to Revaluation Surplus Impairment (losses)/reversals	14,427,461	14,427,461	4,134,725	4,134,725	18,562,186	-	-	-	18,562,186
Depreciation (expense)	-	-	(973,770)	(973,770)	(973,770)	(69,413)	(16,480)	-	(1,059,663)
<b>Balance at 1 July 2017</b>	36,357,000	36,357,000	18,456,760	18,456,760	54,813,760	1,166,100	173,590	62,620	56,216,070
Additions	-	-	387,420	387,420	387,420	118,693	152,483	-	658,596
(Disposals)	-	-	-	-	-	(90,853)	-	-	(90,853)
Depreciation (expense)	-	-	(483,894)	(483,894)	(483,894)	(77,971)	(26,199)	-	(588,064)
<b>Balance at 30 June 2018</b>	36,357,000	36,357,000	18,360,286	18,360,286	54,717,286	1,115,970	299,873	62,620	56,195,749

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value	Valuation Technique	Basis of	Date of Last	Inputs Used
<b>Land and buildings</b>					
Land	2	Market approach using recent observable market data for similar items ( Net revaluation method)	Independent Valuation	2017	Price per hectare/market borrowing rate
Buildings - specialised	3	Market approach using recent observable market data for similar items ( Net revaluation method)	Independent Valuation	2017	Improvements to buildings using construction costs and current condition ( Level 2), residual values and remaining useful life assessments ( Level 3) inputs.
<b>Plant and equipment</b>	3 and 2	Cost approach using depreciated replacement cost ( Net revaluation method)	Independent Valuation	2016	Construction/Purchase costs and current condition (Level 2) residual values and remaining useful life assessments (Level 3 ) inputs.
<b>Furniture and equipment</b>	3	Cost approach using depreciated replacement cost ( Net revaluation method),Market approach using recent observable market data for similar items ( Net revaluation method)	Management Valuation	2016	Construction/Purchase costs and current condition (Level 2) residual values and remaining useful life assessments (Level 3 ) inputs.
<b>Minor Assets (Arts Works)</b>	2	Market approach using recent observable market data for similar items ( Net revaluation method)	Management Valuation	2018	Comparison with items offered for sale in the open market.

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

9 (a). **INFRASTRUCTURE**

	<u>2018</u>	<u>2017</u>
	\$	\$
Infrastructure - Roads		
- Independent Valuation 2017 - Level 3	83,500,078	83,500,078
Additions after Valuation	714,384	-
Less: accumulated depreciation	<u>(16,643,548)</u>	<u>(15,181,450)</u>
	67,570,914	68,318,627
Footpaths		
- Independent Valuation 2017 - Level 3	10,233,801	10,233,801
Additions after Valuation	57,541	-
Less: accumulated depreciation	<u>(3,242,936)</u>	<u>(3,002,330)</u>
	7,048,406	7,231,471
Parks & Ovals		
-Independent Valuation - 2018 - Level 3	17,940,621	14,615,475
Less: accumulated depreciation	<u>(6,144,686)</u>	<u>(7,024,609)</u>
	11,795,935	7,590,866
Drainage		
- Independent Valuation 2017 - Level 3	39,635,969	39,635,969
Additions after Valuation	559,187	-
Less: accumulated depreciation	<u>(17,474,552)</u>	<u>(16,891,455)</u>
	22,720,604	22,744,514
<b>Total infrastructure</b>	<u>109,135,859</u>	<u>105,885,478</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

9. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

Movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	Infrastructure - Roads	Infrastructure - Footpaths	Parks & Ovals	Drainage	Total Infrastructure
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	72,338,555	5,644,301	7,595,944	14,972,991	100,551,791
Additions	951,492	225,017	387,765	83,443	1,647,718
Revaluation increments/ (decrements) transferred to Revaluation Surplus	(3,725,989)	1,646,152	-	8,020,579	5,940,742
Depreciation (Expense)	(1,245,432)	(283,999)	(392,843)	(332,499)	(2,254,773)
<b>Balance at 1 July 2017</b>	68,318,627	7,231,471	7,590,866	22,744,514	105,885,478
Additions	714,384	57,541	283,409	559,187	1,614,522
Revaluation increments/ (decrements) transferred to Revaluation Surplus	-	-	4,332,072	-	4,332,072
Depreciation (expense)	(1,462,098)	(240,605)	(410,413)	(583,097)	(2,696,214)
<b>Carrying amount at 30 June 2018</b>	67,570,914	7,048,406	11,795,935	22,720,604	109,135,859

## 9. INFRASTRUCTURE (Continued)

### (c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Independent Valuation	2017	Construction costs and current condition (Level 2) residual values and remaining useful life assessments (Level 3 ) inputs.
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Independent Valuation	2017	Construction costs and current condition (Level 2) residual values and remaining useful life assessments (Level 3 ) inputs.
Parks & Ovals	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Independent Valuation	2018	Construction costs and current condition (Level 2) residual values and remaining useful life assessments (Level 3 ) inputs.
Drainage	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Independent Valuation	2017	Construction costs and current condition (Level 2) residual values and remaining useful life assessments (Level 3 ) inputs.

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

## 10. FIXED ASSETS (Continued)

### (a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Loss
	\$	\$	\$	\$	\$	\$	\$
<b>Plant and Equipment</b>							
Other property and services	90,853	35,036	3,773	(59,590)	623,173	605,150	(18,023)
	90,853	35,036	3,773	(59,590)	623,173	605,150	(18,023)

### (b) Depreciation

	2018	2017
	\$	\$
Buildings - specialised	483,894	973,770
Plant and equipment	77,971	69,412
Furniture and equipment	26,199	16,480
Infrastructure - Roads	1,462,098	1,245,432
Footpaths	240,605	283,999
Drainage	583,097	332,499
Parks & Ovals	410,413	392,843
	3,284,278	3,314,436

## SIGNIFICANT ACCOUNTING POLICIES

### Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a 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 useful 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:

- 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
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

### Depreciation rates

Major depreciation periods used for each class of depreciable asset are:

Buildings - Componentised	20 to 75 years
Furniture and equipment	5 to 10 years
Plant and equipment	3 to 15 years
Roads and streets - Componentised formation	8 to 100 years
pavement	not depreciated
seal	50 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement	50 years
Formed roads (unsealed) formation	not depreciated
pavement	50 years
Footpaths	30 to 50 years
Parks, Plant & Equipment	3 to 80 years

### Depreciation (Continued)

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.

### Capitalisation Threshold

Expenditure on items of equipment under \$2,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

## 10. FIXED ASSETS

### SIGNIFICANT ACCOUNTING POLICIES

#### 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.

#### 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.

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 Town 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, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

#### Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each 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 (2)* which requires property, plant and equipment to be shown at fair value.

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 control

In accordance with Local Government (Financial Management) Regulation 16(a)(ii), the Town 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.

Bassendean Oval is a sporting facility that is Crown Land operated by the local government. Council has determined it is not of state or regional significance, hence has not been included as an asset by the Town.

#### 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 fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

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

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 Town.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

11. REVALUATION SURPLUS

	2018 Opening Balance	2018 Revaluation Increment	2018 Total Movement on Revaluation	2018 Closing Balance	2017 Opening Balance	2017 Revaluation Increment	2017 Revaluation (Decrement)	2017 Total Movement on Revaluation	2017 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land	41,252,189	-	-	41,252,189	26,824,728	14,427,461	-	14,427,461	41,252,189
Revaluation surplus - Buildings - specialised	12,637,520	-	-	12,637,520	8,502,795	4,134,725	-	4,134,725	12,637,520
Revaluation surplus - Plant and equipment	732,285	-	-	732,285	732,285	-	-	-	732,285
Revaluation surplus - Minor Assets(Artworks)	56,792	-	-	56,792	56,792	-	-	-	56,792
Revaluation surplus - Infrastructure - Roads	57,996,640	-	-	57,996,640	61,722,629	-	(3,725,989)	(3,725,989)	57,996,640
Revaluation surplus - Footpaths	4,698,372	-	-	4,698,372	3,052,220	1,646,152	-	1,646,152	4,698,372
Revaluation surplus - Parks & Ovals	1,549,460	4,332,073	4,332,073	5,881,533	1,549,460	-	-	-	1,549,460
Revaluation surplus - Drainage	17,762,118	-	-	17,762,118	9,741,539	8,020,578	-	8,020,578	17,762,118
Revaluation surplus/(deficit) - EMRC	1,877,820	(13,511)	(13,511)	1,864,309	1,817,893	59,927	-	59,927	1,877,820
	138,563,196	4,318,562	4,318,562	142,881,757	114,000,341	28,288,843	(3,725,989)	24,562,854	138,563,195

Movements on revaluation of fixed assets are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**12. TRADE AND OTHER PAYABLES**

**Current**

Sundry creditors  
Accrued interest on long term borrowings  
Accrued salaries and wages  
Rates in Advance  
Bonds & Other Deposits  
Hyde Retirement Village Bonds

	2018	2017
	\$	\$
	1,244,201	1,050,259
	4,793	5,703
	130,907	122,668
	-	250,300
	1,961,619	1,800,380
	259,648	173,600
	<u>3,601,168</u>	<u>3,402,910</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Trade and other payables**

and services provided to the Town prior to the end of the financial year that are unpaid and arise when the Town of the purchase of these goods and services.

**Trade and other payables (Continued)**

The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

### 13. INFORMATION ON BORROWINGS

#### (a) Repayments - Borrowings

Particulars	Principal	Principal	Budget	Principal		Interest	
	1 July 2017	Repayments Actual		30 June 2018		Repayments	
	\$	\$	\$	Actual	Budget	Actual	Budget
<b>Self Supporting Loans</b>							
Loan 157 - Ashfield Soccer Club - SSL	19,158	4,316	4,316	14,842	14,842	3,294	1,177
Loan 162 - TADWA - SSL	249,497	15,462	15,462	234,035	234,035	13,961	16,211
<b>Recreation and Culture</b>							
Loan 156 - Civic Centre Redevelopment	129,324	43,775	43,775	85,549	85,549	10,273	9,021
Loan 160A - Civic Centre Redevelopment	384,385	45,010	45,010	339,375	339,375	22,983	25,987
Loan 160B - Civic Centre Redevelopment	153,009	15,430	15,430	137,579	137,579	6,912	8,720
	<u>935,374</u>	<u>123,993</u>	<u>123,995</u>	<u>811,380</u>	<u>811,379</u>	<u>57,423</u>	<u>61,115</u>

#### Borrowings

	2018	2017
	\$	\$
Current	132,880	123,994
Non-current	678,500	811,380
	<u>811,380</u>	<u>935,374</u>

#### (b) Undrawn Borrowing Facilities

##### Credit Standby Arrangements

	2018	2017
	\$	\$
Bank overdraft limit	100,000	100,000
Credit card limit	150,000	150,000
Credit card balance at balance date	(24,931)	(23,965)
<b>Total amount of credit unused</b>	<u>225,069</u>	<u>226,035</u>

##### Loan facilities

Loan facilities - current	132,880	123,994
Loan facilities - non-current	678,500	811,380
<b>Total facilities in use at balance date</b>	<u>811,380</u>	<u>935,374</u>

##### Unused loan facilities at balance date

	NIL	NIL
--	-----	-----

### SIGNIFICANT ACCOUNTING POLICIES

#### Financial liabilities

Financial liabilities are recognised at fair value when the Town becomes a party to the contractual provisions to the instrument.

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

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### 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.

## 14 PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	On-Costs Annual Leave	On-Costs Long Service Leave	Total
<b>Opening balance at 1 July 2016</b>					
Current provisions	673,236	886,812	87,483	115,236	1,762,767
Non-current provisions	-	171,795	-	22,324	194,119
	673,236	1,058,608	87,483	137,559	1,956,886
Additional provision	734,977	215,574	96,915	32,536	1,080,001
Amounts used	(585,317)	(96,350)	(76,058)	(12,520)	(770,245)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	10,851	34,809	-	-	45,660
<b>Balance at 30 June 2017</b>	833,747	1,212,641	108,340	157,575	2,312,303
Current	833,747	1,034,018	108,340	134,364	2,110,469
Non-current	-	178,623	-	23,211	201,834
	833,747	1,212,641	108,340	157,575	2,312,303
<b>Opening balance at 1 July 2017</b>					
Current provisions	833,747	1,034,018	108,340	134,364	2,110,469
Non-current provisions	-	178,623	-	23,211	201,834
	833,747	1,212,641	108,340	157,575	2,312,303
Additional provision	674,949	228,989	89,396	30,009	1,023,342
Amounts used	(633,696)	(133,797)	(82,345)	(17,386)	(867,224)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	13,011	1,947	-	-	14,958
<b>Balance at 30 June 2018</b>	888,011	1,309,780	115,391	170,197	2,483,379
<b>Comprises</b>					
Current	888,011	1,103,124	115,391	143,344	2,249,870
Non-current	-	206,655	-	26,854	233,509
<b>Balance as at 30 June 2018</b>	888,011	1,309,780	115,391	170,197	2,483,379

### Annual Leave Liabilities:

Classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2018	2017
	\$	\$
Within 12 months of the end of the reporting period	661,342	617,165
More than 12 months after the end of the reporting period	226,669	216,582
	888,011	833,747

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

### Long Service Leave Liabilities:

Unconditional long service leave provisions are classified as current liabilities as the agency does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Preconditional and conditional long service leave provisions are classified as non-current liabilities because the agency has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2018	2017
	\$	\$
Within 12 months of the end of the reporting period	1,103,124	1,034,018
More than 12 months after the end of the reporting period	206,655	178,623
	1,309,780	1,212,641

The provision for long service leave are calculated at present value as the agency does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible the estimated future cash outflows.

## 14 PROVISIONS (Continued)

### Employment On-cost Provision

The settlement of annual leave and long service leave liabilities give rise to the payment of employment on-costs including workers compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of "Employee Costs" in the Statement of Comprehensive Income. The related liability is included in "Employment On-Costs" provision.

	2018	2017
	\$	\$
Carrying amount at the start of period	265,915	225,042
Additional (reversal of) provisions recognised	19,674	40,873
	<u>285,589</u>	<u>265,915</u>

## SIGNIFICANT ACCOUNTING POLICIES

### Employee benefits

#### Short-term employee benefits

Provision is made for the Town'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 Town'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 Town'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

### Other long-term employee benefits (Continued)

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 Town's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Town 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.

#### Provisions

Provisions are recognised when the Town has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

## 15. NOTES TO THE STATEMENT OF CASH FLOWS

### Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	<b>2018 Actual</b>	<b>2018 Budget</b>	<b>2017 Actual</b>
	\$	\$	\$
Cash and cash equivalents	11,344,227	8,307,947	10,475,121

### Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	45,102	(1,459,702)	56,108
Non-cash flows in Net result:			
Depreciation	3,284,279	3,266,812	3,314,436
(Profit)/loss on sale of asset	55,817	18,023	9,000
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(159,978)	(44,956)	(198,106)
(Increase)/decrease in inventories	(1,685)	-	6,545
Increase in Investment in Joint Venture	(428,333)	-	(202,422)
Decrease in Investment in WALGA House Trus	64	-	16,888
Increase/(decrease) in payables and accruals	(3,584)	264,429	(26,879)
Increase/(decrease) in employee provisions	171,076	5,544	405,266
Grants contributions for development of assets	(661,225)	(1,478,462)	(1,086,544)
Net cash from operating activities	<u>2,301,533</u>	<u>571,687</u>	<u>2,294,289</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	<u>2018</u>	<u>2017</u>
	\$	\$
Governance	2,050,278	2,091,002
Law, order, public safety	142,763	144,104
Health	106,471	110,466
Education and welfare	2,739,653	2,739,204
Community amenities	33,101,286	33,075,920
Recreation and culture	23,496,073	19,374,422
Transport	97,590,992	98,569,930
Economic services	920,000	920,000
Other property and services	1,516,090	1,408,500
Unallocated	24,776,982	23,398,036
	<u>186,440,588</u>	<u>181,831,584</u>

## 17. CONTINGENT LIABILITIES

The Town is not aware of any reportable contingent liabilities as at the reporting date.

## 18. CAPITAL AND LEASING COMMITMENTS

### (a) Capital Expenditure Commitments

The Town had no capital expenditure commitments as at 30 June 2018.

### (b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

	2018 \$	2017 \$
Payable:		
- not later than one year	172,386	238,187
- later than one year but not later than five years	136,731	214,660
- later than five years	-	-
	<u>309,117</u>	<u>452,847</u>

## SIGNIFICANT ACCOUNTING POLICIES

### 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 Town, 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.

### Leases (Continued)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

## 19. JOINT VENTURE ARRANGEMENTS

### Eastern Metropolitan Regional Council

The Council is a member of the Eastern Metropolitan Regional Council. EMRC was established in accordance with the Local Government Act 1995 and consists of six local governments, namely, Town of Bassendean, City of Bayswater, City of Belmont, Town of Kalamunda, Town of Mundaring, and City of Swan. The Town's interest in the joint venture calculated by EMRC as at 30 June 2018 is 4.27%, representing its share of the net assets of \$7,954,836. Bassendean's interest in the assets and liabilities of EMRC is as follows:

Net Carrying Amount		2018	2017
		\$	\$
<b>Name of Entity</b>	<b>Activity</b>		
Eastern Metropolitan Regional Council	Waste Management	7,954,836	7,538,343
<b>Movements in Carrying Amounts</b>			
		2018	2017
Opening Balance		7,538,343	7,275,989
Increase in Interests in Joint Venture *		416,493	262,354
<b>Council's Equity Share in the Joint Venture Entity</b>		<u>7,954,836</u>	<u>7,538,343</u>
* Share of Profit/(Loss)		430,004	
*Share of Other Comprehensive Income		(13,511)	
		<u>416,493</u>	
<b>Share in Joint Venture Assets and Liabilities</b>			
		2018	2017
		\$	\$
<b>Assets</b>			
- Current		4,312,186	4,076,282
- Non Current		4,015,326	4,021,102
<b>Liabilities</b>			
- Current		219,938	227,780
- Non Current		152,738	331,266
<b>Net Assets</b>		<u>7,954,836</u>	<u>7,538,343</u>

### SIGNIFICANT ACCOUNTING POLICIES

#### 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 ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method.

#### Interests in joint arrangements (Continued)

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Town's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

## 20. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

The following fees, expenses and allowances were paid to council members and/or the Mayor.	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
Meeting Fees	116,000	113,000	105,000
Mayor's allowance	36,000	36,000	36,000
Deputy Mayor's allowance	9,000	9,000	9,000
Conference & other expenses	17,634	14,000	4,503
Communications allowance	23,406	24,500	21,000
	202,040	196,500	175,503

### Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid to KMP of the Town during the year are as follows:	2018	2017
	\$	\$
Short-term employee benefits	964,082	945,416
Post-employment benefits	105,618	105,446
Other long-term benefits	14,468	21,179
	1,084,169	1,072,041

#### Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

#### Post-employment benefits

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

#### Other long-term benefits

These amounts represent long service benefits accruing during the year.

### Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

### Transactions with related parties

Transactions between related parties, and the Town are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:	2018	2017
	\$	\$
Sale of goods and services	-	-
Purchase of goods and services	-	-

### Related Parties

#### The Town's main related parties are as follows:

- i. *Key management personnel*  
Any person(s) having authority and responsibility for planning, directing 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 Town*  
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.

## 21. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Town did not participate in any trading undertakings or major trading undertakings during the 2017/2018 financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

22. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received (2)	Expended (3)	Closing	Received (2)	Expended (3)	Closing
	Balance (1)			Balance (1)			Balance
	1/07/16	2016/17	2016/17	30/06/17	2017/18	2017/18	30/06/18
	\$	\$	\$	\$	\$	\$	\$
HACC - Restricted Asset Replacement Funds	307,071	6,146	(161,356)	151,861	4,405	(27,153)	129,113
<b>Total HACC Asset Replacement Reserve</b>	<b>307,071</b>	<b>6,146</b>	<b>(161,356)</b>	<b>-</b>	<b>4,405</b>	<b>(27,153)</b>	<b>129,113</b>
HACC Non-Recurrent Funding Programme	34,460	9,333	(34,460)	9,333	30,000	(9,317)	30,016
Swan River Trust - Foreshore Precinct Plan SRT_3634	1,560	-	-	1,560	-	-	1,560
Aboriginal Workforce Dev, Centre Expo Naidoc Day	10,000	10,000	(10,000)	10,000	10,000	(10,000)	10,000
Department of Social Services - CACP Program	26,626	-	-	26,626	-	-	26,626
Department of Social Services -HCP Program	30,515	-	(17,495)	13,020	744,776	(468,933)	288,863
Bendigo Bank - One World Centre	2,500	3,622	(6,122)	-	-	-	-
Department of Social Services - Long Day Care PDP	45,893	-	(37,536)	8,356	-	(8,356)	-
Department of Social Services - Broadband for Seniors	1,100	-	-	1,100	-	-	1,100
Department of Local Government - Youth Grant	4,861	-	(4,861)	-	-	-	-
Hawaiian Investments and Suez - Recyclable Bags	-	1,200	-	1,200	-	(1,200)	-
Dept of Parks & Wildlife - Anzac Tce Drainage & Foreshore	-	40,300	-	40,300	-	(33,325)	6,975
Attorney General's Department - CCTV Grant	-	89,682	-	89,682	-	(89,682)	-
Reconciliation Action Plan Grant - David Ashton	-	5,000	-	5,000	-	(5,000)	-
Department of Premier and Cabinet - Naidoc Day	-	2,727	-	2,727	-	(2,727)	-
City of Bayswater - Naidoc Day	-	5,000	-	5,000	5,000	(5,000)	5,000
Department of Fire & Emergency Services - SES Funding	-	40,810	(20,405)	20,405	11,712	-	32,117
LGIS - Building Damage	-	101,494	-	101,494	3,500	(101,494)	3,500
Ryde Program Surplus	-	-	-	-	3,614	-	3,614
WA Football Commission - Swan Districts Business Case	-	-	-	-	25,000	-	25,000
Dept of Local Gov - Swan Districts Business Case	-	-	-	-	20,000	-	20,000
<b>Total Unspent Grants Reserve</b>	<b>157,515</b>	<b>309,168</b>	<b>(130,879)</b>	<b>8,356</b>	<b>853,602</b>	<b>(735,034)</b>	<b>454,371</b>
<b>Total Unspent Grants</b>	<b>464,586</b>	<b>315,314</b>	<b>(292,235)</b>	<b>8,356</b>	<b>858,007</b>	<b>(762,186)</b>	<b>583,485</b>

Notes:

(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.

## 23. RATING INFORMATION

### (a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
<b>General rate</b>											
<b>Gross rental valuations</b>											
GRV Properties	7.165	5,770	158,137,903	11,330,584	96,102	3,600	11,430,287	11,329,482	120,000	2,000	11,451,482
<b>Sub-Total</b>		5,770	158,137,903	11,330,584	96,102	3,600	11,430,287	11,329,482	120,000	2,000	11,451,482
<b>Minimum payment</b>											
<b>Gross rental valuations</b>											
GRV Properties	1,085	1,367	18,850,411	1,483,195	-	-	1,483,195	1,484,280	-	-	1,484,280
<b>Sub-Total</b>		1,367	18,850,411	1,483,195	-	-	1,483,195	1,484,280	-	-	1,484,280
<b>Totals</b>		7,137	176,988,314	12,813,779	96,102	3,600	12,913,482	12,813,762	120,000	2,000	12,935,762
<b>Total amount raised from general rate</b>							12,913,482				12,935,762
Rates paid in Advance							270,701				-
<b>Total</b>							<u>13,184,183</u>				<u>12,935,762</u>

### SIGNIFICANT ACCOUNTING POLICIES

#### Rates

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**23. RATING INFORMATION (Continued)**

**(b) Specified Area Rate**

The Town did not levy a specified area rate during the current reporting period.

**(c) Service Charges**

The Town did not impose any service charges during the current reporting period.

**(d) Discounts, Incentives, Concessions, & Write-offs**

The Town did not offer a rates discount during the current reporting period.

	Rate or Discount Granted	Discount	Actual	Budget
		%	\$	\$
General Rates	Incentive		5,000	5,000
General Rates	Concession	50	6,186	7,500
			<u>11,186</u>	<u>12,500</u>

**(e) Interest Charges & Instalments**

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
<b>Option One</b>				
Single full payment	25-Aug-17	\$0.00	0.00%	10.00%
<b>Option Two</b>				
First instalment	25-Aug-17	\$0.00	0.00%	0.00%
Second instalment	05-Jan-18	\$12.00	5.50%	10.00%
<b>Option Three</b>				
First instalment	25-Aug-17	\$0.00	0.00%	0.00%
Second instalment	27-Oct-17	\$12.00	5.50%	10.00%
Third instalment	05-Jan-18	\$12.00	5.50%	10.00%
Fourth instalment	09-Mar-18	\$12.00	5.50%	10.00%
			<b>2018</b>	<b>2018</b>
			<u>\$</u>	<u>\$</u>
Interest on unpaid rates			158,592	137,500
Charges on instalment plan			67,032	60,500
			<u>225,624</u>	<u>198,000</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

## 24. NET CURRENT ASSETS

Composition of net current assets

	2018 30 June 2018 Carried Forward)	2017 (1 July 2017 Brought Forward)	2017 (30 June 2017 Carried Forward)
	\$	\$	\$
<b>Surplus/(Deficit) 1 July 17 brought forward</b>	1,921,369	2,184,378	2,184,378
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Unrestricted	3,412,701	3,699,827	3,699,827
Restricted	7,931,526	6,775,294	6,775,294
Receivables			
Rates Outstanding	782,386	754,709	754,709
Sundry Debtors - General	198,465	135,775	135,775
GST Receivable	122,316	112,759	112,759
Accrued Interest	613	4,446	4,446
Inventories			
Inventories	15,018	13,333	13,333
	12,463,025	11,496,143	11,496,143
<b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables			
Sundry creditors	(1,244,201)	(1,050,259)	(1,050,259)
Accrued interest on long term borrowings	(4,793)	(5,703)	(5,703)
Accrued salaries and wages	(130,907)	(122,668)	(122,668)
Rates in Advance	-	(250,300)	(250,300)
Hyde Retirement Village Bonds	(259,648)	(173,600)	(173,600)
Provisions			
Current Employee Provisions	(2,249,870)	(2,110,469)	(2,110,469)
Bonds & Other Deposits	(1,961,619)	(1,800,380)	(1,800,380)
	(5,851,038)	(5,513,379)	(5,513,379)
<b>Unadjusted net current assets</b>	6,611,987	5,982,764	5,982,764
<b>Adjustments</b>			
Less: Reserves - restricted cash	(5,710,258)	(4,801,315)	(4,801,315)
Less: Accrued Interest	(613)	(4,446)	(4,446)
Add: Cash Backed Employee Provisions	1,020,253	1,007,375	1,007,375
<b>Adjusted net current assets - surplus/(deficit)</b>	1,921,369	2,184,378	2,184,378

### Difference

There was no difference between the surplus/(deficit) 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2017 audited financial report.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

## 25. FINANCIAL RISK MANAGEMENT

The Town's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Town's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Town.

The Town 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.

The Town held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	11,344,227	10,475,121	11,344,227	10,475,121
Investments	108,268	108,332	108,268	108,332
Receivables	1,686,631	1,594,907	1,686,631	1,594,907
	<u>13,139,126</u>	<u>12,178,360</u>	<u>13,139,126</u>	<u>12,178,360</u>
<b>Financial liabilities</b>				
Payables	3,601,168	3,402,910	3,601,168	3,402,910
Borrowings	811,380	935,374	717,047	831,214
	<u>4,412,548</u>	<u>4,338,284</u>	<u>4,318,215</u>	<u>4,234,124</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.

## 25. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Cash and Cash Equivalents

The Town's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio. 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 is subject to interest rate risk - the risk that movements in interest rates could affect returns.

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

The Town manages these risks by diversifying its portfolio and only investing in investments authorised by Local Government (Financial Management) Regulation 19C.

	2018	2017
	\$	\$
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	113,442	104,751
- Statement of Comprehensive Income	113,442	104,751

*Notes:*

<sup>(1)</sup> Sensitivity percentages based on management's expectation of future possible interest rate movements.

## 25. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Receivables

The Town'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. The Town 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 the Town to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The Town 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.

The Town 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.

The profile of the Town's credit risk at balance date was:

	<u>2018</u>	<u>2017</u>
	%	%
Percentage of rates and annual charges		
- Current	70.05%	70.03%
- Overdue	29.95%	29.97%
Percentage of other receivables		
- Current	69.66%	41.21%
- Overdue	30.34%	58.79%

## 25. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Ageing Analysis of Receivables

	Carrying Amount	Not past due and not impaired	Up to 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years	Impaired Receivables
<b>2018</b>								
Receivables*	1,315,438	410,716	71,625	33,295	267,023	532,529	-	250
Loan receivable	248,877	248,877	-	-	-	-	-	-
	<u>1,564,315</u>	<u>659,593</u>	<u>71,625</u>	<u>33,295</u>	<u>267,023</u>	<u>532,529</u>	<u>-</u>	<u>250</u>
<b>2017</b>								
Receivables*	1,213,492	439,534	14,581	40,578	281,363	384,480	-	52,956
Loan receivable	268,656	268,656	-	-	-	-	-	-
	<u>1,482,148</u>	<u>708,190</u>	<u>14,581</u>	<u>40,578</u>	<u>281,363</u>	<u>384,480</u>	<u>-</u>	<u>52,956</u>

\* The amount of receivables excludes the gst recoverable from the ATO (statutory receivable)

### (c) Payables and 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. The Town 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.

The contractual undiscounted cash flows of the Town's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2018</b>					
Payables	3,932,872	-	-	3,932,872	3,601,168
Borrowings	182,422	547,530	283,156	1,013,108	811,380
	<u>4,115,294</u>	<u>547,530</u>	<u>283,156</u>	<u>4,945,980</u>	<u>4,412,548</u>
<b>2017</b>					
Payables	3,402,910	-	-	3,402,910	3,402,910
Borrowings	182,326	729,952	283,156	1,195,434	935,374
	<u>3,585,236</u>	<u>729,952</u>	<u>283,156</u>	<u>4,598,344</u>	<u>4,338,284</u>

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Town manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<b>Borrowings</b>								
Fixed rate	132,880	129,185	97,006	97,696	104,062	250,551	811,380	5.84%
Weighted average Effective interest rate	6.11%	5.91%	6.11%	5.91%	5.95%	5.08%		
<b>Year ended 30 June 2017</b>								
<b>Borrowings</b>								
Fixed rate	123,994	132,880	129,184	97,006	97,696	354,614	935,374	5.92%
Weighted average Effective interest rate	6.24%	6.24%	6.11%	5.91%	5.95%	5.08%		

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**26. TRUST FUNDS**

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

	<b>1 July 2017</b>	<b>Amounts Received</b>	<b>Amounts Paid</b>	<b>30 June 2018</b>
	\$	\$	\$	\$
Public Open Space Contributions	870,633	83,050	-	953,683
BRB Funds	5,221	45,914	(46,183)	4,952
BCITF Funds	700	42,525	(43,225)	-
	<u>876,554</u>	<u>171,489</u>	<u>(89,408)</u>	<u>958,635</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**27. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Town.

Management's assessment of the new and amended pronouncements that are relevant to the Town, applicable to future reporting periods and which have not yet been adopted are set out as follows:

	<b>Title</b>	<b>Issued / Compiled</b>	<b>Applicable (1)</b>	<b>Impact</b>
(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 Town, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	<p>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.</p> <p>The effect of this Standard will depend on the nature of future transactions the Town has with those third parties it has dealings with. It may or may not be significant.</p>
(iii)	AASB 16 Leases	February 2016	1 January 2019	<p>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 into the 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 when AASB 16 is adopted.</p> <p>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 Town, the impact is not expected to be significant.</p>

Notes:

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

## 27. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (Continued)

Title	Issued / Compiled	Applicable (1)	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> <li>- Assets received below fair value;</li> <li>- Transfers received to acquire or construct non-financial assets;</li> <li>- Grants received;</li> <li>- Prepaid rates;</li> <li>- Leases entered into at below market rates; and</li> <li>- Volunteer services.</li> </ul> <p>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 Town's operations.</p>

Notes:

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

### Adoption of New and Revised Accounting Standards

During the current year, the Town 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:

- |   |                |
|---|----------------|
| (i) AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities | 1 January 2017 |
| (ii) AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities   | 1 January 2017 |

## 28. SIGNIFICANT ACCOUNTING POLICIES

### a) 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.

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 Town's operational cycle. In the case of liabilities where the Town 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 sale where it is held as non-current based on the Town's intentions to release for sale.

### c) Rounding off figures

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

### d) Comparative figures

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

When the Town applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

### e) Budget comparative figures

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.

### f) Superannuation

The Town contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Town contributes are defined contribution plans.

### g) Fair value of assets and liabilities

Fair value is the price that the Town would receive to sell the asset or would have to pay to transfer the 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 or liability. 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 or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) 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.

### h) 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 Town 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 Town 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 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 Town 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 are 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.

### i) Impairment of assets

In accordance with Australian Accounting Standards the Town's cash generating non-specialised 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 specialised assets such as roads, drains, public buildings and the like, no annual assessment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

## 29. ACTIVITIES/PROGRAMS

Town operations as disclosed in these financial statements encompass the following service orientated activities/programs.

### Statement of Objective

In order to discharge its responsibilities to the community, Council has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Town's Community Vision, and for each of its broad activities/programs.

### COMMUNITY VISION

"A connected community, developing a vibrant and sustainable future, that is built upon the foundations of our past."

### GOVERNANCE

Administration and operation of facilities and services to members of council; Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.

### GENERAL PURPOSE FUNDING

Rates, general purpose government grants and interest revenue

### LAW, ORDER, PUBLIC SAFETY

Supervision of various by-laws, fire prevention, emergency services and animal control.

### HEALTH

Food quality and pest control, immunisation services, inspection of public buildings and operation of child health services.

### EDUCATION AND WELFARE

Provision, management and support of educational services at the pre-school level and assistance to schools. The provision, management and support of welfare services for families, youth, children and the aged within the community.

### HOUSING

The provision of retirement village dwellings for rental in a supportive environment.

### COMMUNITY AMENITIES

The provision of sanitation (waste management), stormwater drainage, town and regional planning and development, the provision of rest rooms and protection of environment.

### RECREATION AND CULTURE

Provision of facilities, and support of organisations concerned with leisure time activities and sport. This includes the provision of leisure programs, halls and community centres, libraries, historical sites, recreation centres, parks, gardens and sportsgrounds.

### TRANSPORT

The construction and maintenance of streets, roads, bridges, footpaths and cycle ways.

### ECONOMIC SERVICES

Regulation support and/or provision of such services as tourism, area promotion and building control.

### OTHER PROPERTY & SERVICES

Private works, public works overheads, plant operations and other revenues and expenses not elsewhere classified.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**30. FINANCIAL RATIOS**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Current ratio	1.66	1.78	1.53
Asset sustainability ratio	0.48	0.42	0.65
Debt service cover ratio	15.02	12.95	4.83
Operating surplus ratio	(0.03)	(0.05)	(0.01)
Own source revenue coverage ratio	0.83	0.82	0.87
Asset consumption ratio	0.72	0.72	0.58
Asset renewal funding ratio	1.00	1.00	0.99

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset sustainability ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$

Four of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants.

	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	282,628	287,237	-
Amount of Financial Assistance Grant received in prior year relating to current year.	287,237	-	281,354

If the events detailed above did not occur, the impacted ratios in the 2018, 2017 and 2016 columns above would be as follows:

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Current ratio	1.66	1.37	1.83
Debt service cover ratio	15.05	11.37	5.25
Operating surplus ratio	(0.03)	(0.07)	0.01
Own source revenue coverage ratio	0.80	0.82	0.87

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**31. EVENTS AFTER REPORTING DATE**

There have been no material events after the reporting period which would affect the financial report of the Town of Bassendean for the year ended 30 June 2018 or which would require separate disclosure.

## 8. Appendix 1 - Proposed Audit Opinion

### INDEPENDENT AUDITOR'S REPORT

#### TO: RATEPAYERS OF TOWN OF BASSENDEAN

#### Report on the Financial Report

##### *Opinion*

We have audited the financial report of **Town of Bassendean** (the Council), which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and 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 annual financial report of the **Town of Bassendean** is:

- (i) is based on proper accounts and records ; and
- (ii) fairly represents, in all material respects, the results of the operations of the Council for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not consistent with the Act, Australian Accounting Standards.

##### *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.

##### *Emphasis of Matter – Basis of Accounting*

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. Our opinion is not modified in respect of this matter.

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

### **Responsibilities of the Chief Executive Officer and Council for the Financial Report**

The Chief Executive Officer (CEO) of the Council is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the Council.

The Council is responsible for overseeing the Council's financial reporting process.

### **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:

- 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.

## **Town of Bassendean**



Audit Completion Report to the  
Audit Committee  
For the Year Ended 30 June 2018

7 November 2018

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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 Town of Bassendean for the year ended 30 June 2018.

## 1.1 Status of Audit

Our audit fieldwork at the Town of Bassendean for the financial year ended 30 June 2018 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	3 May 2018
Interim Audit Management Letter	10 May 2018
Present the Audit Completion Report to the Audit Committee	7 November 2018
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 Town of Bassendean'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 Town of Bassendean

- (i) gives a true and fair view of the financial position of the Town of Bassendean as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) 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 Town of Bassendean' 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 - Parks and Ovals	<p>Regulation 17A (4) of the LG (Financial Management) Regulations 1996 requires Infrastructure assets to be measured at fair value for the year ended 30 June 2018. The Town of Bassendean's Parks &amp; Oval asset class was revalued at fair value by external valuers at 30 June 2018. Roads, Footpaths and Drainage asset classes were revalued in the year ended 30 June 2017 together with the Land and Buildings asset classes.</p> <p>Audit evaluated the professional competence and objectivity of the external valuers and the adequacy of the scope of their work. We are satisfied that the external valuers are suitably qualified, 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 Infrastructure asset classes.</p>

2	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>
3	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>
4	Related Party Disclosures	<p>AASB 2015-6 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 related party disclosure forms completed by the key management personal which includes Councillors.</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 Town of Bassendean’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 Town of Bassendean’ 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 2018 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 issues were noted. Our consideration of these matters is set out below.

We request that the Audit Committee review the matters 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	Area: Asset Management Plans
Recommendation	
	<p>Given the significant work undertaken in the revaluation of the Town of Bassendean' Infrastructure assets namely Parks &amp; Oval during the financial year ended 30 June 2018, 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 Town of Bassendean' 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 Town of Bassendean including new pronouncements adopted during the year, are described in notes to the financial statements.</li> <li>➤ There were no significant changes in the application of existing policies during the year ended 30 June 2018. 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 Town of Bassendean, we consider that amounts of a value less than \$ 9,800 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>➤ There were no uncorrected misstatements in the Annual Financial Statements.</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>• Significant delays in</li> </ul>	<ul style="list-style-type: none"> <li>➤ There were no serious difficulties encountered in dealing with management when performing the audit.</li> </ul>

<p>management providing required information</p> <ul style="list-style-type: none"> <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.</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>Threshold to Capitalise Assets</p>	<ul style="list-style-type: none"> <li>➤ Currently the Town of Bassendean's capitalisation threshold policy is to capitalise, all capital assets in excess of \$ 2000.</li> </ul> <p>However, with effect from 1 July 2018 in accordance with the amendment to the Local Government (Financial Management) Regulation 1996, which was gazetted on 26 June 2018, Council should capitalise assets in excess of \$ 5,000 only. Therefore, it needs to make a retrospective adjustment in the 2018/19 financial year in respect of capital assets costing less than \$ 5,000 which had been capitalised in the past as this change of accounting treatment results in a change in accounting policy.</p>
<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>

Related Party Transactions	<ul style="list-style-type: none"> <li>➤ None of which we are aware other than what is disclosed in Note 20 to the financial statements.</li> </ul>
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	<ul style="list-style-type: none"> <li>➤ Refer above.</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 2018, Macri Partners has not provided any non-audit services to the Town of Bassendean.</li> </ul>

## 7. Disclaimer

This report has been prepared for the Audit Committee and management of Town of Bassendean 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 Town of Bassendean.

## 8. Appendix 1 - Proposed Audit Opinion

### INDEPENDENT AUDITOR'S REPORT

#### TO: RATEPAYERS OF TOWN OF BASSENDEAN

#### Report on the Financial Report

#### *Opinion*

We have audited the financial report of **Town of Bassendean** (the Council), which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and 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 annual financial report of the **Town of Bassendean** is:

- (i) is based on proper accounts and records ; and
- (ii) fairly represents, in all material respects, the results of the operations of the Council for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not consistent with the Act, Australian Accounting Standards.

#### *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.

#### *Emphasis of Matter – Basis of Accounting*

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. Our opinion is not modified in respect of this matter.

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

### Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the following matter indicates significant adverse trends in the financial position or the financial management practices of the Council:

The Asset Sustainability Ratio and the Operating Surplus Ratio have been below the Department of Local Government, Sport and Cultural Industries standard for the last three years. The financial ratios are reported at note 30 to the financial report.

- (b) In our opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions:
- (c) All required information and explanations were obtained by us.
- (d) All audit procedures were satisfactorily completed.

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

This auditor's report relates to the financial report of the **Town of Bassendean** for the year ended 30 June 2018 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 7<sup>TH</sup> DAY OF NOVEMBER 2018.

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

### **Responsibilities of the Chief Executive Officer and Council for the Financial Report**

The Chief Executive Officer (CEO) of the Council is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the Council.

The Council is responsible for overseeing the Council's financial reporting process.

### **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:

- 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.

**TOWN OF BASSENDEAN  
FINAL ANALYTICAL REVIEW  
INCOME AND EXPENSES  
FOR THE YEAR ENDED 30TH JUNE 2018**

# All material variances (ie greater than +/-5%) should be explained.

	2018 Actual \$	2018 Budget \$	Variance (\$) Actual 2018 /Budget	Variance (%) Actual 2018 /Budget	Variance Explanation #
<b>Revenue</b>					
Rates	13,184,183	12,935,762	248,421	1.92%	
Operating grants, subsidies and contributions	3,063,580	2,364,274	699,306	29.58%	Unexpected HCP Grants received
Fees and charges	5,892,776	5,838,490	54,286	0.93%	
Interest earnings	507,169	452,821	54,348	12.00%	Earnings on Investments Higher than anticipated.
Other revenue	775,211	632,977	142,234	22.47%	TOB Share in EMRC brought into account
	<u>23,422,919</u>	<u>22,224,324</u>	<u>1,198,595</u>		
<b>Expenses</b>					
Employee costs	(11,865,527)	(11,383,091)	482,436	4.24%	HCP/NDIS Employee Costs not budgetted for.
Materials and contracts	(7,089,841)	(8,304,553)	(1,214,712)	-14.63%	Significant underexpenditure in this category
Utility charges	(655,370)	(711,844)	(56,474)	-7.93%	Budgetted Utility Costs were less expected
Depreciation on non-current assets	(3,284,278)	(3,266,812)	17,466	0.53%	
Interest expenses	(57,423)	(61,115)	(3,692)	-6.04%	Savings on Debenture Loans- Interest
Insurance expenses	(435,443)	(462,957)	(27,514)	-5.94%	Savings on Insurance premiums through LGIS
Other expenditure	(1,081,100)	(972,116)	108,984	11.21%	Expenses for HCP(Seniors) not in original Budget
	<u>(24,468,982)</u>	<u>(25,162,488)</u>	<u>693,506</u>		
<b>Operating Result from Continuing Operations</b>	<b>(1,046,063)</b>	<b>(2,938,164)</b>	<b>1,892,101</b>		
Depreciation	3,284,278	3,266,812	(17,466)	0.53%	
Movement in Deferred pensioners	(11,579)	-	11,579	100.00%	No Budget Allocation
Movement in Employee benefit provisions	31,675	-	(31,675)	100.00%	No Budget Allocation
Non-operating grants, subsidies Contributions	661,225	1,478,462	(817,237)	-55.28%	Capital Grants not received
Profit on asset disposals	(3,773)	-	(3,773)	100.00%	Gain on Disposal of Plant not anticipated
(Loss) on asset disposals	59,590	18,023	(41,567)	230.63%	Loss on Disposal of Plant higher than anticipated
Employee Cash backed provisions	12,878	24,000	(11,122)	-46.34%	
	<u>4,034,294</u>	<u>4,787,297</u>	<u>(911,261)</u>		
<b>Capital Expenditure</b>					
Repayment of Debentures	(123,993)	(123,995)	2		
Purchase of Property, Plant & Equipment	(658,596)	(1,499,062)	840,466	-56.07%	Mens shed not commenced (C-fwd 18-19 Budget)
Purchase of Construction of Infrastructure	(1,614,522)	(3,600,242)	1,985,720	-55.16%	Playgrounds not commenced(Cfwd 18-19 Budget)
	<u>(2,397,111)</u>	<u>(5,223,299)</u>	<u>2,826,188</u>		
<b>Capital Revenue</b>					
Proceeds from Disposal of Assets	35,036	605,150	(570,114)	-94.21%	Proposed Disposals delayed
Proceeds from Self Supporting Loans	19,778	19,779	(1)	-0.01%	
	<u>54,814</u>	<u>624,929</u>	<u>(570,115)</u>		
<b>Transfers</b>					
Transfers to Reserves	(1,327,865)	(821,361)	(506,504)		
Transfers from Reserves	418,922	1,077,343	(658,421)		
	<u>(908,943)</u>	<u>255,982</u>	<u>(1,164,925)</u>		
Opening Surplus	2,184,378	2,531,579	(347,201)		
<b>Net Current Assets as at 30 June 2018</b>	<b>1,921,369</b>	<b>38,324</b>	<b>1,724,787</b>		