



2016 – 17 Annual Report

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PERTH COMEDY FESTIVAL
26 APRIL - 21 MAY

GALLERY
LUMINO

Mayor's message

Community is integral to the City of Subiaco, both in its essence and its ethos. A sense of belonging to such a community is something that we, as social creatures, aspire to but it is also what sustains us. As elected members, we strive to create a warm and engaging community that celebrates all that is wonderful about this little pocket of Australia.

The past year has been one of transition for the City of Subiaco, bringing about changes that have required us to take stock and adapt. After several decades, AFL football will leave Subiaco Oval at the end of the 2017 season to relocate to the newly built Perth Stadium. While this is the end of an era for Subiaco, Australian Rules football will continue to be played, in some form, at the ground, which has been the home of football for more than one hundred years. Plans for the oval and its surrounds are well underway and the future is looking bright for that part of the city.

The state government has announced plans to build a public-intake secondary college on Kitchener Park and the city will work with both the government and the Metropolitan Redevelopment Authority to transform the precinct and ensure the best possible outcomes for the community. These include maximising the amount of open space, maintaining significant trees and achieving developments of high-quality design.

Due to nation-wide reforms to aged care and disability services, 2016–17 also saw the cessation of the city's Home and Community Care (HACC) program. In contrast to when the city first started providing HACC services, there are now numerous organisations delivering more comprehensive offerings within the city and all clients have been successfully transferred to these providers.

At this point, I wish to acknowledge our volunteers and all they have given of themselves over the years. The social capital our volunteers bring to the community is invaluable and I thank them for the very important work they have undertaken.



In May this year, council adopted the *Positive Ageing Plan 2017–2021* which represents the city's commitment to supporting the city's ageing population. By 2036, one in five Subiaco community members will be aged sixty or over; this plan, which was produced following consultation with more than 250 stakeholders, aims to provide effective strategies that facilitate the older demographic's meaningful participation in the community.

In November 2016, council resolved to prepare a new town planning scheme to ensure the city's statutory planning framework reflects best practice for managing land use and development. This has been an enormous job for our planning team and I congratulate them for their efforts and perseverance. Draft Local Planning Scheme No. 5 addresses the needs of a growing population and provides a local response to state government strategies and policies. The document is currently with the Western Australian Planning Commission and will go out for public consultation in 2018.

Throughout the year, we have delivered our regular series of awards, celebrating literacy, artistic talent, photographic skills and proficiency in historical research. As well as motivating both locals and those from further afield to get involved, these awards and other events ensure that Subiaco Library and Subiaco Museum remain cultural hubs of excellence within our community.

My tenure as the Mayor of the City of Subiaco will come to an end in October. I would like to thank Don Burnett, our Chief Executive Officer, as well as my fellow councillors for their ongoing support and sound decision-making. I have been extremely proud to serve this community – for thirteen years as a councillor and another twelve as Mayor. Our community has faced both triumphs and upheavals, but I firmly believe that we are now well-placed to look confidently into the future with a renewed sense of optimism.

Heather Henderson

Mayor

May 2005–October 2017



CEO's message

The City of Subiaco has now completed the major organisational changes required as a consequence of the City of Perth Act. As I reported last year, the boundary adjustment saw approximately 3000 residents transferred to the City of Perth, which caused a significant dent in the city's revenue. In order for the city to maintain its financial stability, we undertook an organisational review, which saw 50 staff redundancies. With those changes completed, the city's structure has been reset and efficiencies are being delivered. Among the larger changes was the city's withdrawal from Home and Community Care services ahead of the National Disability Insurance Scheme. All of the city's former clients are now being serviced by specialised service providers who have the capacity to deliver a much broader range of services. Additionally, changes to the city's waste management services have seen some annual charges reduced by \$56 in 2017–18.

During the year, council focused on securing a higher rate of return on the city's investment properties. All of the lease fees received by these properties are used by the city to fund major asset projects and maintain our roads, parks, drainage and buildings. The better the rate of return on these investments, the better we can look after our assets and infrastructure. This income stream also offsets the need to use rates to fund these works, which is of benefit to all ratepayers in the city. Setting what is considered a fair and reasonable rate is always difficult. Thanks to the revenue generated by the city's property investment portfolio, we are able to keep our rate in the dollar, as well as our minimum rate, at the lower end of the scale when compared to other metropolitan councils.

The last twelve months have seen the completion of several very large projects, such as the Rokeby Road streetscape upgrade, and the planning of others, like the Lake Jualbup upgrade due to commence in the summer of 2017–18. We also began work on a staged review of parking management across the city and substantially completed the comprehensive new City of Subiaco Local Planning Scheme No. 5.

In order to complement the upgrade of Rokeby Road, council also undertook a three-hour free parking trial at the Rowland Street car park, facilitated the addition of a number of alfresco dining spaces along Rokeby Road and removed the red tape involved with changes of building use. When combined with last year's waiving of fees for alfresco dining and street trading, these initiatives aim to bring vibrancy back to the town centre and have already started to flow down and significantly reduce the number of vacant shops on Rokeby Road.

The city has also been working on a positive outcome for the Subiaco Oval precinct, in line with the community-endorsed North Subiaco Structure Plan. The state government has since announced plans to build a new, public-intake secondary school on Kitchener Park, which has placed greater urgency and a shorter timeframe for this area to be redeveloped. We will continue to work with the government to retain the grassed area of Subiaco Oval, as well as more active playing space – for junior sport – to offset the loss of Kitchener Park.

I would like to acknowledge Mayor Heather Henderson, the elected members and the staff at the City of Subiaco. Their hard work and dedication help make Subiaco a better place.

Don Burnett
Chief Executive Officer

About the City of Subiaco

Our history

The City of Subiaco is established on the traditional homelands of the Nyungah people, who were the custodians of the land long before the first European settlers arrived.

In 1851, a group of Benedictine monks came to the area and named their monastery New Subiaco after the birthplace of the Benedictine Order – Subiaco, Italy. When the Perth to Fremantle railway opened in 1881, the name Subiaco was adopted for a railway station near the monastery and later for the cluster of houses and businesses that became the present Subiaco.

Subiaco was proclaimed a municipality in 1897 and officially gazetted as the City of Subiaco in 1952.



Subiaco celebrates becoming a city in 1952

Subiaco today

As at 30 June 2017, the City of Subiaco local government area included the suburbs of Subiaco and Daglish, and parts of Jolimont and Shenton Park.

The City of Subiaco experienced a boundary change on 1 July 2016 as a result of the City of Perth Act. The area south of Aberdare Road (parts of the suburbs of Nedlands and Crawley, including The University of Western Australia) was transferred from the City of Subiaco to the City of Perth – this equated to around 3000 residents, or 1000 properties. The new residential population of the City of Subiaco is approximately 17 000 people.

More than 20 000 people visit the City of Subiaco for work each day. The city's town centre incorporates a mix of land uses, including commercial, residential, retail, hospitality and entertainment.

The city has excellent infrastructure, with underground power, easy access to train stations and other public transport options, and well-maintained roads and footpaths. The city's built form comprises a mix of heritage and contemporary architecture, and its parks, reserves and open spaces provide a backdrop for recreation and leisure.

The city is on track to meet state government targets for new dwellings and accommodate an increasing population. New residential and commercial developments will bring more residents, workers and visitors to the area, and the city is working to address key challenges and areas of priority for the community, including the revitalisation of the town centre, reducing red tape and planning for the future of Subiaco Oval.

A great place to live, work and visit, the City of Subiaco is considered one of the most liveable local government areas in Western Australia.





Our council

The City of Subiaco comprises four wards, with three councillors representing each of the Central, East and North wards, and two councillors in the South ward. The Mayor represents the entire district. The City of Subiaco Council as at 30 June 2017:



MAYOR

Heather Henderson

CENTRAL WARD



Cr Scott Arbuckle



Cr Judith Gederio



Cr Malcolm Mummery

EAST WARD



Cr Paul Clements



Cr Julie Matheson



Cr Murray Rowe

NORTH WARD



Cr Mark Burns



Cr Stephanie Stroud



Cr Peter McAllister

SOUTH WARD



Cr Lee Hemsley



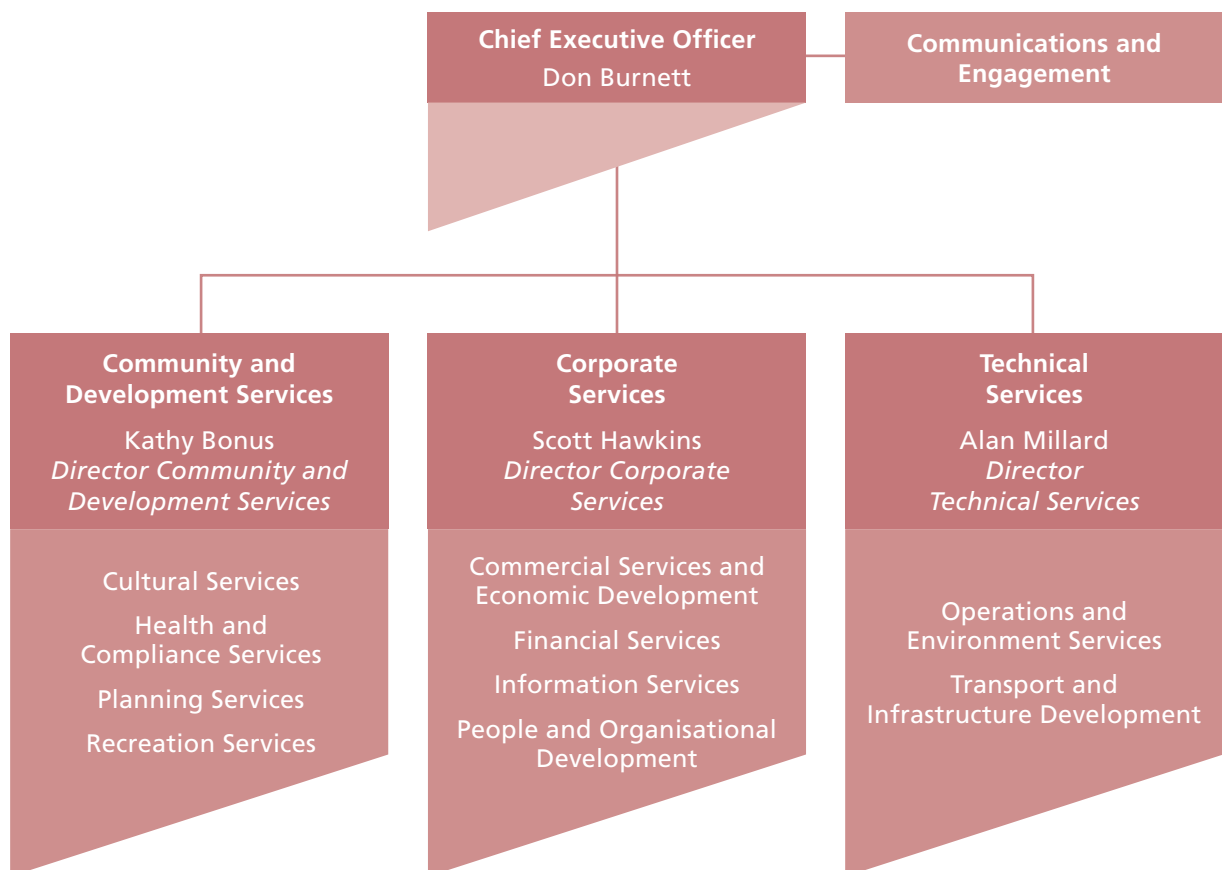
Cr Hugh Richardson
(Deputy Mayor)



Our services

Our workforce is made up of people with diverse skills across different roles, all working together to make the City of Subiaco a leading local government.

The Chief Executive Officer and three directors provide leadership for the city's branches, which deliver services to the community and the organisation.



We work by our values

Respect

We acknowledge and value the opinions and contributions of others.

Integrity

We are committed to being ethical, honest and transparent in everything we do.

Customer service

We aim to deliver a high quality service that is both efficient and professional.

Teamwork

We work cooperatively and support one another to achieve our goals.



Plan for the future

Community vision

In 2030, the City of Subiaco is a unique, popular and welcoming place. The city celebrates its rich history, while embracing the diversity and vitality of the present. The parks, public spaces, events and recreational opportunities are easily accessible and promote a healthy and happy lifestyle for all. There is a diverse range of local businesses and entertainment that contribute to a lively atmosphere. The city faces the challenges of the future with strong leadership, an innovative approach, and an emphasis on community values and voices. Sustainability, in all its forms, is at the core of the community and underpins the city's operations.

Corporate vision

An innovative, community-focused organisation providing strong leadership to build a unique and welcoming place.

Community plan

The Strategic Community Plan is the overarching document that guides the future direction of the City of Subiaco and our community. The plan was developed through extensive engagement with the community in 2011 as part of the Think2030 visioning project, and outlines six focus areas. It is our commitment to the community that the city's operations, services and projects are driven by the desires and needs of the community. The city consulted with the community and reviewed the plan throughout 2016–17, again under the Think2030 banner, to ensure the community's priorities remain accurate and up-to-date.

Corporate plan

The *Corporate Business Plan 2015–2019* outlines the city's key priorities and actions until 2019. The plan is informed by the Strategic Community Plan and aims to integrate the community's aspirations into the city's operations. It is our contract with the community to deliver projects and services for the benefit of our residents, businesses and visitors, as well as for the generations to come. The Strategic Community Plan and the Corporate Business Plan form part of the Western Australian Government's Integrated Planning and Reporting Framework.

How to read this report

The city has been working to implement the actions within the six focus areas of its Strategic Community Plan and Corporate Business Plan. The annual report outlines the progress made in 2016–17 to deliver on the objectives and strategies in these plans. The report is divided into six chapters, reflecting the six focus areas that support our community's vision for the City of Subiaco:

- Our sense of community
- Parks, open spaces and places
- A unique destination
- The built environment
- An effective and integrated transport system
- Council leadership

**Information in this annual report is for the period
1 July 2016 to 30 June 2017.**



On the horizon: 2017–18

Projects

- Adoption of revised *Strategic Community Plan 2017–2027*
- Subiaco East Redevelopment Project (Subiaco Oval and Princess Margaret Hospital precincts)
- Development of parking precinct plans in consultation with the community
- Town centre marketing strategy
- Upgrade of Lake Jualbup
- Recycling and waste service improvements
- Implementation of Property Investment Strategy
- Adoption of new Disability Access and Inclusion Plan
- Local Planning Scheme No. 5
- Development of Heritage Strategic Plan
- Subiaco Oval Memories heritage project
- Local government elections
- Public art projects including the Western Australian Irish Famine Memorial and town centre murals
- Streetscape design for Rokeby Road South

Budget highlights

Key capital projects in 2017–18 will help secure the City of Subiaco's future as a vibrant inner-city community. As well as the core services the city delivers to the community,

we're investing in footpath, lighting and laneway upgrades, road renewal projects, and improvements to our parks and reserves.



Road improvements
\$2.6M



Buildings and facilities
\$2.4M



Parks and reserves
\$1.9M



Lake Jualbup upgrade
\$1.4M



Parking
\$514k



Lighting improvements
\$235k



Laneways
\$195k



Footpath improvements
\$175k



FAST FACTS

1696 new members of the library

149 797 items borrowed from Subiaco Library

498 009 visitors to Lords Recreation Centre

4195 group fitness classes were held at Lords

5390 people enjoyed live music at the
sunset@subi concerts

878 cats and 2225 dogs are registered in the city

Our sense of community

The City of Subiaco is a welcoming, safe and diverse community. The city's identity and history is celebrated and reflected through events, programs and public art. Community facilities and events provide residents and visitors with the opportunity to come together in a sociable and inclusive atmosphere.

Highlights

- Acquired the iconic public artwork, Kite Children, formerly located at Princess Margaret Hospital, and installed it on the corner of Rokeby and Bagot roads, outside Subiaco Library.
- Commissioned the installation of the Peace Pole at Rankin Gardens; the peace pole was dedicated in September 2016 and is symbolic of the city's aspirations for a peaceful world. It bears the message 'May peace prevail on earth' in four languages – English, Nyungah, Japanese and Italian.
- Delivered more than 150 community events, including author talks, cultural activities and health and wellbeing initiatives.
- Coordinated the annual Shaun Tan Award for Young Artists, Tim Winton Award for Young Writers and Photographic Awards.
- Delivered a range of programs for children and families, including twice-weekly Rhymetime and Storytime sessions at the library, skateboarding clinics during school holidays and parenting workshops.
- The Subiaco Voice of Youth (SVY) coordinated the annual SVY Quiz Night, attended by more than 100 12 to 18-year-olds, and the biennial Race Around Subi, which attracted more than 200 entrants.
- Subiaco Museum exhibited Trams and Trade: Rokeby Road, 1900–1958, which looked at six decades of growth and change that transformed Subiaco's main shopping strip.
- Subiaco Library introduced Digication (digital education), consisting of both one-on-one tutorials and free public information sessions, to offer assistance with computers, mobile devices and the internet.
- Continued to run Lords Recreation Centre as a leading community recreation facility, with a focus on membership promotions and improvements to service delivery.
- Consulted with the community and developed the Positive Ageing Plan 2017–2021, which represents the city's commitment to supporting an ageing population, and introduced Seniors' Coffee Club – a relaxed, fortnightly get-together at different cafes around the city.
- Consulted with the community and updated the Community Safety and Crime Prevention Plan 2016–2022. The plan provides a guide for future community safety initiatives.
- Consulted with the community to develop the city's new Disability Access and Inclusion Plan 2017–2022 (see page 22).
- During National Volunteer Week in May 2017, a record number of people (24) were recognised for having reached five, 10, 15, 20 and 25-year volunteering milestones with the city.
- Supported seventeen not-for-profit organisations and community groups with partnerships and grants to the value of \$71 000 to run events and programs within the city. Recipients included Perth Theatre Trust, Perth International Arts Festival, Yirra Yaakin Theatre Company, Voiceworks, Befriend, Catch Music, Clan WA, Headspace, North Metropolitan TAFE and the Subi Farmers Market.



FAST FACTS

10 million square metres of turf mowed – that's more than 450 Subiaco Ovals

4000 square metres of mulch spread within the city's parks and reserves

426 street and park trees planted in winter

30 kilometres of lines marked at Rosalie Park sporting fields

20 000 native plants planted in the city's parks and reserves

27 nest boxes for wildlife installed in parks and reserves

Focus area two

Parks, open spaces and places

Subiaco is renowned for its green, leafy streets and well-maintained parks and reserves. The city is committed to maintaining and preserving a diverse and sustainable range of parks, open spaces and public places for the benefit of current and future generations. The organisation is an industry leader in environmental management.

Highlights

- Continued to strengthen the city's tree canopy cover thanks to innovative and effective policies that protect the urban forest.
- Implemented the Mabel Talbot Reserve Management Plan which included the installation of two new play spaces; the replacement of park gazebos; a new irrigation system, bore and switchboard; new park lighting, a new limestone pathway and eco-zoning of the reserve.
- Installed a Gross Pollutant Trap (or "Baffle Box") at Mabel Talbot Reserve – the biggest of its kind in Western Australia – to collect litter, sediment and other pollutants from a 106 hectare drainage catchment area and ensure cleaner water flows into the lake.
- Volunteers and staff planted 3500 plants at Mueller Park as part of National Tree Day 2016.
- Educated local school children on environmental topics through workshops and events.
- Participated in Parks Week 2017 with Magical Park – an app that turned four of the city's parks into digital, fantasy playgrounds. The app was an effective way to get kids off the couch and into Subiaco's green spaces.
- Year three students at Jolimont Primary School helped launch a new nature playspace at Subiaco Common in June 2017. The playspace was planned in consultation with the local community.
- Grew the environmental volunteers program (which began with 10 people in 2016) to 24. Our volunteers assist in activities such as the planting of native species, weed control and wildlife next box monitoring, and gain practical experience and new skills by engaging with professionals in the environmental field.
- Continued to partner with the Western Suburbs Regional Organisation of Councils (WESROC) to offer the Native Plant Subsidy Scheme. City of Subiaco households and businesses can purchase local native plants for their verge and garden at subsidised prices.
- Continued to be at the forefront of supporting sustainable verges by installing a verge demonstration garden at Shenton Park Community Centre, assisting with the development of 32 water-wise verge gardens across the city, and coordinating the annual Sustainable Verge and Gardens Award.
- Was acknowledged as a Gold Waterwise Council for demonstrating leadership and excellence in sustainable water management.
- Promoted recreation options for all ages, including weekly fitness classes geared specifically towards seniors.

FAST FACTS

50 000 people attended the 2017 Subiaco Street Party

3200 lights on the Forrest Walk Christmas tree

5297 registered businesses in the city

23 new food businesses opened

Focus area three

A unique destination

There is a collective desire for a diverse offering of retail, hospitality and entertainment options to make Subiaco a unique and lively destination for residents, workers and visitors. The city is investing in events and initiatives to revitalise the area, and providing more flexibility in council policies in order to support local business owners.

Highlights

- Completed the \$4 million streetscape upgrade of Rokeby Road which included resurfaced road; planter boxes installed along the flattened median strip; improved street furniture; new, multi-use light and banner poles with hanging planter baskets; and the provision of alfresco spaces.
- Continued to provide support for local businesses by waiving fees for alfresco dining and outdoor trading spaces and reducing 'red tape' wherever possible.
- Developed the Economic Development Strategy 2017–2021, which outlines actions to address economic challenges in four program areas: marketing, communication and advocacy; placemaking, activation and public realm; business retention and attraction; governance, leadership and collaboration.
- Worked with and supported local business groups including the Western Suburbs Business Association, SUBlaction and Business Station.
- Sponsored and hosted UnWined Subiaco, a premium wine and food festival held over two days in October 2016, and coordinated the UnWined Cocktail After-Party to showcase local venues.
- Successfully delivered the inaugural Christmas Night of Lights in November 2016, attended by 15 000 people. An 11-metre, walk-through Christmas tree was built at Forrest Walk to enhance the attraction of the Subiaco Town Centre as a shopping and dining precinct over the festive season.
- Supported Perth International Arts Festival and coordinated Lunar Lanterns – a free, family-friendly event to coincide with the performance of Ao Lang Pho by the Nouveau Cirque du Vietnam at The Regal Theatre.
- Successfully delivered the second annual Subiaco Street Party, attended by 50 000 people (42 per cent growth from the previous year).
- Complemented the Perth Comedy Festival with the Subiaco Comedy Hub. Ticketholders to shows at The Regal Theatre were encouraged to 'laugh a little longer' at the local bars and restaurants, offering special deals and discounts.
- Coordinated a range of other promotions, pop-ups and competitions through the See Subiaco brand.
- Used a range of communication channels to keep people informed about what's happening in the city, including the introduction of Subiaco Curator, a monthly arts, culture and events e-newsletter.



FAST FACTS

163 development applications processed

276 building permits issued valued at \$48 million

1130 tonnes of residential recycling collected and
650 tonnes of green waste recycled into compost

523 swimming pool inspections

3900 estimated additional residential population in
the North Subiaco area over the next ten years



Focus area four

The built environment

The city is planning for an increasing population and is on track to meet State Government targets for new dwellings. There is a strong appreciation of heritage homes and buildings, and new developments are integrated with respect for this heritage. The city's infrastructure, waste and recycling services support the needs of the community.

Highlights

- Progressed the draft Subiaco Activity Centre Plan, which was developed in consultation with the community and sets out a vision and framework for land use and development the town centre. The plan was endorsed by council in September 2016 and presented to the Western Australian Planning Commission for final approval.
- Received a commendation for the Subiaco Activity Centre Plan in the 'Best Planning Ideas – Small Project' at the 2016 Planning Institute of Australia WA Awards for Planning Excellence.
- Undertook significant work on a new town planning scheme. Draft Local Planning Strategy No. 5, which will provide a contemporary framework for planning and development in the city, will be made available for public consultation following approval by the Western Australian Planning Commission.
- Consulted with the community on the North Subiaco Structure Plan, which provides guidance on the future of the land bounded by Townshend Road/Haydn Bunton Drive, Railway Parade, Thomas Street and Churchill Avenue, and incorporating Princess Margaret Hospital and Subiaco Oval. The plan was endorsed by council in May 2017 and presented to the Western Australian Planning Commission for final approval.
- Moved the submission of planning and building applications online, allowing for quicker determination times, a reduction in paper use and more efficient communications with applicants and neighbouring property owners and occupiers.
- In June 2017, the State Government announced plans to build a new, public-intake secondary school on Kitchener Park and redevelop the surrounding areas. The city is a key stakeholder in the project and, on 20 June 2017, council voted a number of key priorities to ensure the best outcomes for the community, including maximising the amount of open space, transport considerations and achieving developments of high-quality designs.
- Consulted with the community to aid the development of a Heritage Strategic Plan, which will guide the management of the city's rich and unique heritage and celebrate it into the future.
- Continued to recognise and value the city's built heritage through a range of heritage policies and incentives.
- Transitioned from separated recycling collected weekly to co-mingled recycling collected fortnightly, in line with Australian Standards. The changes will continue to be implemented in 2017-18.
- Drainage improvements in the order of \$833 000 including the upgrade of the Onslow Road catchment drainage to meet current water-sensitive drainage principles and practices. This also encourages groundwater recharge at the source.
- Upgraded lighting to include smart-control lighting and LED globes to a number of streets within the city.

FAST FACTS

107 kilometres of roads in the city

121 kilometres of footpaths in the city

511 bays in the city's town centre shopper car parks

77 323 train users exit Subiaco Station each month

\$920 000 in road improvements, including \$384 000
received from state and federal grant funding

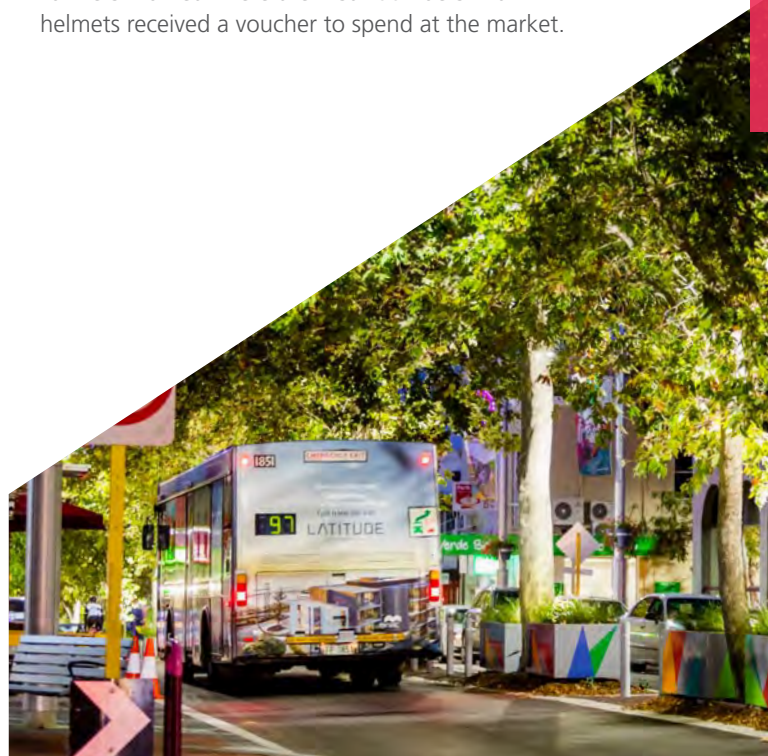
Focus area five

An effective and integrated transport system

The City of Subiaco has access to convenient and accessible public transport options, and a comprehensive network of cycle and pedestrian routes. The city looks after its road and footpath assets, takes measures to increase road safety and reduce traffic congestion, and aims to provide a balance of parking options to meet the needs of all users, including residents, workers and visitors.

Highlights

- Completed the city's Transport, Access and Parking Strategy, which will serve as a guiding document for the planning and implementation of the city's transport and parking requirements.
- Implemented a variety of parking initiatives, including wayfinding signage and pay-by-plate machines, and continued to promote use of the EasyPark app.
- Commenced a twelve-month, three-hour free parking trial in the Rowland Street car park, intended to be used by shoppers and other visitors to the town centre.
- Won the 2016 Parking Industry Australia Award for Excellence in Car Park Refurbishment for the multi-use Forrest Square Car Station.
- Reviewed and consulted with the community on the Rosalie Park Parking Management Plan to provide a balance of parking options for both residents and visitors to the area.
- Continued to advocate to the State Government about the community's public transport needs.
- Resurfaced a number of higher order roads, including Roberts Road, Nicholson Road, Harborne Street and a section of Thomas Street – a length of approximately 2 kilometres.
- Participated in Bike Week 2017 and hosted two events – the Bike to Work Breakfast, on 25 March 2017, whereby the first 500 riders received a free breakfast at Subiaco Train Station; and a ride to Subi Farmers Market where the first 100 riders with helmets received a voucher to spend at the market.



FAST FACTS

\$43 million 2016-17 operating budget

164 full-time equivalent employees

159 council decisions

169 000 unique visitors to the city's website

22 700 visit to the Have Your Say Subiaco online engagement hub

1600 pieces of feedback received during the Think2030 Strategic Community Plan review

Focus area six

Council leadership

Strong council leadership is a key foundation in delivering the community's vision for the future of Subiaco. The city provides open and honest information to the community, and facilitates opportunities to be involved with decisions that affect the city's future. The city is committed to achieving financial and environmental sustainability goals for the long-term health and resilience of the organisation and the community.

Highlights

- Consulted with the community to review the city's Strategic Community Plan, the overarching document that guides the future direction of the City of Subiaco. This feedback was used to make the updates to the new Strategic Community Plan 2017–2027.
- Regular communication with the community through key communications channels including Subiaco Scene (in The POST newspaper), Talk about Subi, Facebook and e-newsletters.
- Adopted the Sustainability and Resilience Strategy, which will guide the city's planning and actions, with regard to sustainability and the environment, until 2021.
- Continued to make the city's buildings more sustainable, including the commission and installation of a 75-kilowatt photovoltaic system on the roof of Lords Recreation Centre to significantly reduce electricity consumption and carbon emissions.
- Reviewed the city's Property Investment Strategy with a focus on better financial returns for the long-term benefit of the community.
- Sold a property on Hay Street at public auction for \$13 million. Proceeds from the sale were transferred into the city's capital investment reserve, which is used to purchase revenue-generating properties.
- The city's advisory committees – Economic and Business Sustainability Advisory Committee, the Disability Access and Inclusion Committee and the Property and Investment Assets Committee – provided advice and recommendations to council.
- Provided a twice-weekly Justice of the Peace service at the city's Administration Centre
- Received a Tier 3 Silver Award for diligence in safety from Local Government Insurance Services (LGIS). This awards acknowledges the efforts of staff in maintaining a safe workplace.



2016–17 income and expenditure summary

	2015–2016 \$'000s	2016–2017 \$'000s
Operating revenue		
Governance	500	226
General purpose funding	25,021	24,062
Law, order and public safety	56	43
Health	207	155
Education and welfare	1,444	1,330
Community amenities	5,865	4,942
Recreation and culture	3,282	3,430
Transport	5,095	4,451
Economic services	265	220
Other property and services	3,959	5,201
Total operating revenue	45,694	44,058
Operating expenditure		
Governance	(1,830)	(1,693)
General purpose funding	(1,068)	(896)
Law, order and public safety	(1,163)	(1,044)
Health	(731)	(665)
Education and welfare	(3,173)	(2,517)
Community amenities	(6,392)	(6,080)
Recreation and culture	(14,787)	(13,715)
Transport	(10,486)	(9,782)
Economic services	(1,944)	(1,982)
Other property and services	(2,241)	(1,571)
Total operating expenditure	(43,815)	(39,944)
Borrowing costs expense		
Recreation and culture	(156)	(180)
Transport	(6)	(14)
Economic services	(532)	(323)
Other property and services	(22)	(91)
Total borrowing costs expense	(716)	(608)
Investments accounted for using the equity method		
Community amenities	50	80
Total Investments accounted for using the equity method	50	80
Contributions to the development of assets		
Education and welfare	-	-
Community amenities	-	-
Recreation and culture	54	36
Transport	1,080	607
Total contribution to the development of assets	1,134	643
Profit/(loss) on disposal of assets		
Law, order public safety	-	(18)
Health	-1	-
Education and welfare	-	(1)
Community amenities	1	(7)
Recreation and culture	8	(30)
Transport	-	(37)
Other property and services	(1)	(2,351)
Total Profit/(Loss) on disposal of assets	7	(2,445)
Fair value adjustments to investment properties at fair value through profit or loss	0	(9,781)
Net result before loss on net assets transferred to City of Perth through boundary	2,354	(8,157)
Loss on net assets transferred to City of Perth through boundary adjustment	0	(13,234)
Net result	2,354	(21,391)
Other comprehensive income		
Changes on revaluation of non-current assets	764	(61,713)
Total other comprehensive income	764	(61,713)
Total comprehensive income	3,118	(83,104)

Fair value of land and buildings

Due to a change in Local Government (Financial Management) Regulation 17A, local governments are required to recognise all assets at fair value, therefore removing the option to value at cost. Following a three year phase-in period, all asset classes held by the city are now recorded at fair value. Fair Value is calculated in accordance with AASB 13 Fair Value Measurement, an overview of the requirements of this accounting standard is provided in note 1(g) of the financial statements.

The 2016/17 fair value revaluations covered the Land and Buildings class of assets, which for accounting purposes are classified as land and buildings under Property, Plant and Equipment (note 7) and Investment Properties (note 8). This assets class was initially recognised at fair value at 30 June 2014.

The city has previously valued all of its freehold lands at the highest and best use on the basis of their alternative uses instead of their existing/current uses. The city has now adopted fair values for its freehold lands recognising the existing uses as highest and best use. The city's assets are intended to be retained at their current uses continuously into the foreseeable future for the purpose of maximising the value of its assets to the community. Therefore, in assessing the value of the assets, the city has regarded the current use of an asset is its highest and best use unless there was evidence (i.e. market or other factors) that suggest a different use would maximise its value.

Investment Land Holdings

In 2013/14 the highest and best use valuation resulted in an increase in the value of investment properties of \$80 474 905 which was shown as revenue in that year.

The 2016/17 fair value valuation has resulted in a loss adjustment of \$9 781 419 which has been shown separately in the Statement of Comprehensive Income.

Community and Social Land Holdings

In 2013/14 the highest and best use valuation resulted in an increase in the value of Community and Social Properties of \$107 198 450.

In 2016/17 the revaluation surplus was adjusted downwards by \$61 712 779 which has been shown separately in the Statement of Comprehensive Income.

This document, in conjunction with the Annual Financial Statements, forms the city's Annual Report for 2016–17. This page is an extract from the Annual Financial Statements, available in full at www.subiaco.wa.gov.au or upon request. The independent auditor's report confirming compliance with the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996* can be found on page 64 of the Annual Financial Statements.





Statutory compliance

Record keeping

The city is committed to best practice record keeping and compliance in accordance with the State Records Act 2000. The city's Record Keeping Plan has been approved by the State Records Office and the city conducts regular record keeping training for all staff.

Freedom of information

The Freedom of Information Act 1992 gives the public the right to apply for access to documents held by the City of Subiaco. The city aims to make information available outside of the freedom of information process wherever possible. The city received seven valid freedom of information applications in 2016–17.

Disability access and inclusion

The city's Disability Access and Inclusion Plan 2012–17 was progressively implemented and the city met the Disability Services Commission's reporting requirements. The plan aims to improve accessibility and inclusiveness throughout the city, with 46 initiatives and strategies implemented in 2016–17. Initiatives included:

- upgrades to access ramps at the Palms and Tom Dadour community centres
- installation of Braille and wayfinding signage in all major public city buildings
- purchase of accessible gym equipment at Lords Recreation Centre
- Auslan interpreters at three community concerts
- engagement of access consultants on major infrastructure projects
- development of an access and inclusion induction for staff
- launch of an intranet resource for staff to assist with ensuring services are accessible to the community
- employment opportunities advertised through the Disability Employment Network
- continued quarterly meetings of the Disability Access and Inclusion Committee.

During the year consultation was undertaken on the development of the Disability Access and Inclusion Plan 2017–2022. Information was collated through a community survey, drop-in stand at the Subiaco Farmers Market and focus groups with community members, the Disability Access and Inclusion Committee and staff.

Register of complaints – Council members

Section 5.121 of the Local Government Act 1995 requires a local government to maintain a register of complaints that result in action under Section 5.110 (6) (b) or (c) of the Act. There were two complaints made under Section 5.121 of the Local Government Act 1995 during the reporting period. The complaints had not been determined by the Local Government Standards Panel as at 30 June 2017.

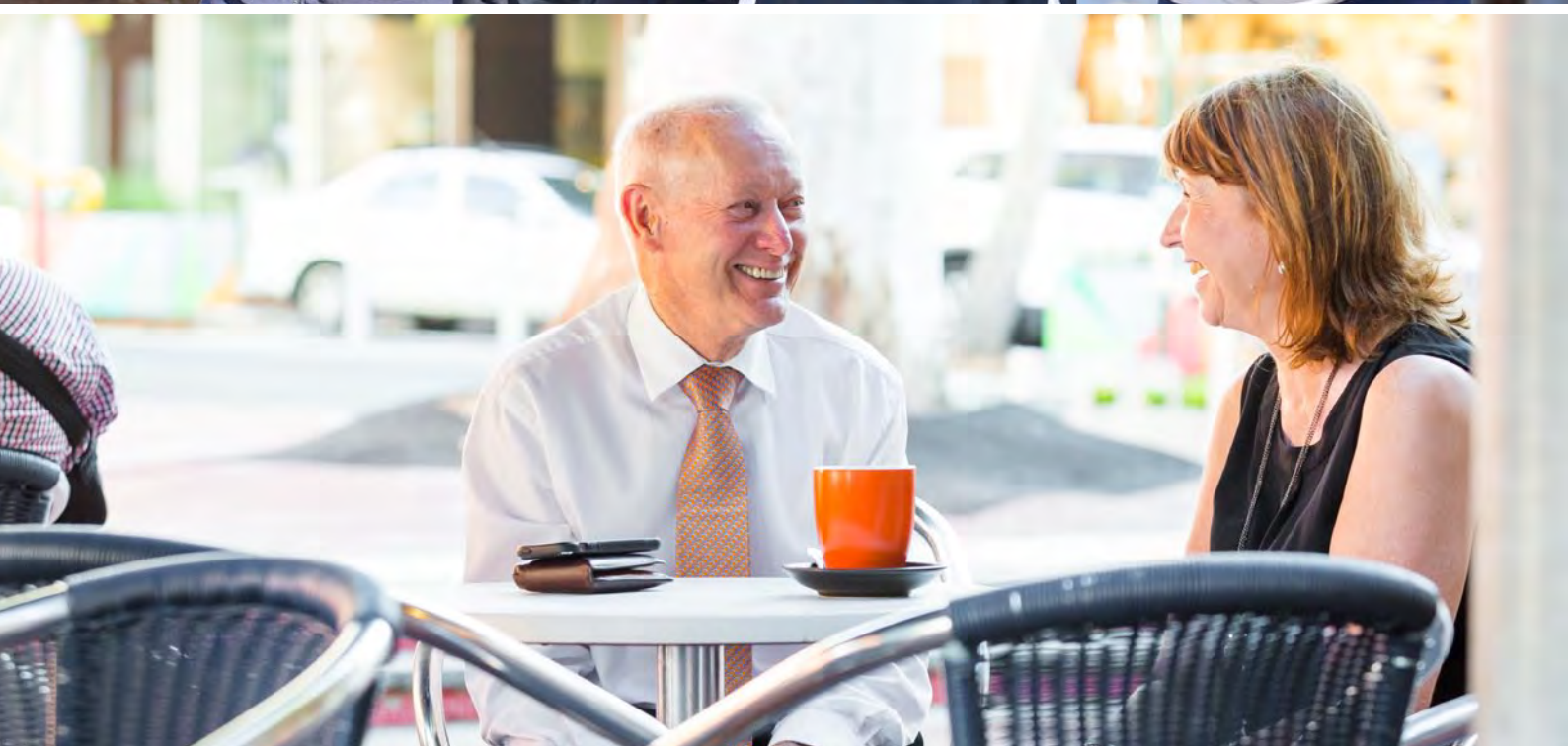
Competition policy

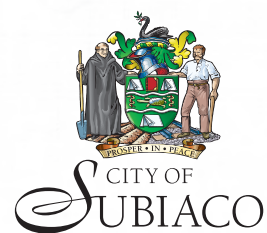
The city met its obligations with regard to its competition policy. The city has no local laws or policies that contain anti-competitive provisions. No complaints were received by the city in 2016–17 in relation to anti-competitive practices.

Employee remuneration

There were 21 employees entitled to an annual cash salary of \$100 000 or more:

\$100 000 to \$109 999	3
\$110 000 to \$119 999	2
\$120 000 to \$129 999	3
\$130 000 to \$139 999	7
\$140 000 to \$149 999	1
\$170 000 to \$179 999	1
\$190 000 to \$199 999	3
\$230 000 to \$239 000	1

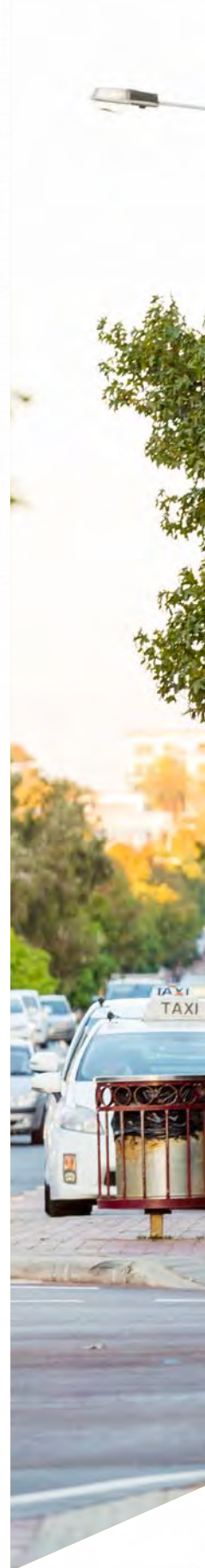




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Website: www.subiaco.wa.gov.au

This document is available in
alternative formats upon request.

The City of Subiaco is committed to
protecting the global environment through
local action. By printing this publication
recycled paper, the city aims to conserve
the resources of the city.
The document is available online at
www.subiaco.wa.gov.au





2016 – 17 Annual Financial Statement

CITY OF SUBIACO
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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Principal place of business:
241 Rokeby Road
Subiaco WA 6008

**CITY OF SUBIACO
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

**LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed as authorisation of issue on the 6th day of November 2017



Don Burnett
Chief Executive Officer

CITY OF SUBIACO
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	24	21,651,292	21,768,040	22,829,410
Operating grants, subsidies and contributions	31	2,233,854	1,775,125	1,613,596
Operating reimbursements and donations		325,029	181,748	463,954
Fees and charges	30	12,866,518	13,439,162	12,456,053
Sanitation charges		4,732,564	4,660,050	5,428,305
Interest earnings	2(a)	1,370,098	880,830	1,389,203
Other revenue	2(a)	878,601	572,600	1,513,671
		<u>44,057,956</u>	<u>43,277,555</u>	<u>45,694,192</u>
Expenses				
Employee costs		(21,923,853)	(22,168,610)	(24,031,141)
Materials and contracts		(9,698,666)	(12,976,353)	(10,950,487)
Utility charges		(988,456)	(907,580)	(1,093,768)
Depreciation on non-current assets	2(a)	(5,577,107)	(4,953,180)	(5,536,718)
Interest expenses	2(a)	(608,167)	(489,300)	(715,758)
Insurance expenses		(487,654)	(608,600)	(567,275)
Other expenditure		(1,268,021)	(1,044,150)	(1,635,519)
		<u>(40,551,924)</u>	<u>(43,147,773)</u>	<u>(44,530,666)</u>
		3,506,032	129,782	1,163,526
Non-operating grants, subsidies and contributions	31	643,400	549,950	1,134,000
Investment accounted for using the equity method	4	(80,332)	0	49,642
Profit on asset disposals	22	26,395	87,490	31,663
(Loss) on asset disposals	22,35	(2,471,359)	(18,350)	(24,688)
Fair value adjustments to investment properties at fair value through profit or loss	8	(9,781,419)	0	0
Net result before loss on net assets transferred to City of Perth through boundary adjustment		(8,157,283)	748,872	2,354,143
Loss on net assets transferred to City of Perth through boundary adjustment	38	(13,234,028)	0	0
Net Result		(21,391,311)	748,872	2,354,143
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	14	(61,712,779)	0	764,227
Total other comprehensive income		(61,712,779)	0	764,227
Total comprehensive income		(83,104,090)	748,872	3,118,370

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

CITY OF SUBIACO
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue	2(a)			
Governance		225,720	31,500	500,078
General purpose funding		24,062,031	23,321,550	25,020,993
Law, order, public safety		42,834	130,000	56,032
Health		154,903	93,600	206,797
Education and welfare		1,329,822	1,349,245	1,443,860
Community amenities		4,941,666	4,871,350	5,865,098
Recreation and culture		3,429,550	4,237,102	3,282,026
Transport		4,450,707	4,275,108	5,094,976
Economic services		220,033	205,100	264,917
Other property and services		5,200,689	4,763,000	3,959,415
		<u>44,057,955</u>	<u>43,277,555</u>	<u>45,694,192</u>
Expenses	2(a)			
Governance		(1,692,931)	(1,975,192)	(1,830,068)
General purpose funding		(895,708)	(1,009,770)	(1,068,165)
Law, order, public safety		(1,043,623)	(1,002,454)	(1,163,076)
Health		(665,014)	(797,393)	(730,746)
Education and welfare		(2,516,682)	(3,230,884)	(3,172,503)
Community amenities		(6,080,480)	(6,716,867)	(6,392,083)
Recreation and culture		(13,714,799)	(13,824,651)	(14,787,062)
Transport		(9,781,650)	(10,113,012)	(10,486,020)
Economic services		(1,981,797)	(2,234,516)	(1,943,905)
Other property and services		(1,571,072)	(1,753,734)	(2,241,280)
		<u>(39,943,756)</u>	<u>(42,658,473)</u>	<u>(43,814,908)</u>
Finance costs	2(a)			
Recreation and culture		(179,823)	(120,300)	(155,909)
Transport		(14,204)	(60,400)	(5,584)
Economic services		(323,468)	(286,800)	(532,444)
Other property and services		(90,672)	(21,800)	(21,821)
		<u>(608,167)</u>	<u>(489,300)</u>	<u>(715,758)</u>
		3,506,032	129,782	1,163,526
Non-operating grants, subsidies and contributions	31	643,400	549,950	1,134,000
Profit on disposal of assets	22	26,395	87,490	31,663
(Loss) on disposal of assets	22,35	(2,471,359)	(18,350)	(24,688)
Investment accounted for using the equity method	4	(80,332)	0	49,642
Fair value adjustments to investment properties at fair value through profit or loss	8	(9,781,419)	0	0
Net result before loss on net assets transferred to City of Perth through boundary adjustment		(8,157,283)	748,872	2,354,143
Loss on net assets transferred to City of Perth through boundary adjustment	38	(13,234,028)	0	0
Net Result		(21,391,311)	748,872	2,354,143
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	14	(61,712,779)	0	764,227
Total other comprehensive income		(61,712,779)	0	764,227
Total comprehensive income		(83,104,090)	748,872	3,118,370

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

CITY OF SUBIACO
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	48,169,698	50,842,852
Trade and other receivables	5	2,776,430	2,509,386
Inventories	6	29,336	28,795
TOTAL CURRENT ASSETS		<u>50,975,464</u>	<u>53,381,033</u>
NON-CURRENT ASSETS			
Other receivables	5	147,685	158,252
Investments accounted for using the equity method	4	2,241,802	2,297,585
Investment properties	8	99,089,620	110,455,983
Property, plant and equipment	7	65,548,314	128,203,020
Infrastructure	9	100,417,930	108,621,541
TOTAL NON-CURRENT ASSETS		<u>267,445,351</u>	<u>349,736,381</u>
TOTAL ASSETS		<u>318,420,815</u>	<u>403,117,414</u>
CURRENT LIABILITIES			
Trade and other payables	10	4,787,902	4,849,636
Current portion of long term borrowings	11	375,703	1,242,550
Provisions	12	2,833,666	2,888,606
TOTAL CURRENT LIABILITIES		<u>7,997,271</u>	<u>8,980,792</u>
NON-CURRENT LIABILITIES			
Long term borrowings	11	6,786,491	7,356,276
Provisions	12	474,769	513,972
TOTAL NON-CURRENT LIABILITIES		<u>7,261,260</u>	<u>7,870,248</u>
TOTAL LIABILITIES		<u>15,258,531</u>	<u>16,851,040</u>
NET ASSETS		<u>303,162,284</u>	<u>386,266,374</u>
EQUITY			
Retained surplus		169,453,529	180,766,019
Reserves - cash backed	13	39,051,509	42,380,941
Revaluation surplus	14	94,657,246	163,119,414
TOTAL EQUITY		<u>303,162,284</u>	<u>386,266,374</u>

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

CITY OF SUBIACO
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2015		190,699,374	31,258,921	161,189,709	383,148,004
Adjustment to opening balance due to prior year adjustment	14	(1,165,478)	0	1,165,478	0
Adjusted Balance as at 1 July 2015		189,533,896	31,258,921	162,355,187	383,148,004
Comprehensive income					
Net result		2,354,143	0	0	2,354,143
Changes on revaluation of assets	14	0	0	764,227	764,227
Total comprehensive income		2,354,143	0	764,227	3,118,370
Transfers from/(to) reserves		(11,122,020)	11,122,020	0	0
Balance as at 30 June 2016		180,766,019	42,380,941	163,119,414	386,266,374
Comprehensive income					
Net result		(21,391,311)	0	0	(21,391,311)
Changes on revaluation of assets	14	0	0	(61,712,779)	(61,712,779)
Total comprehensive income		(21,391,311)	0	(61,712,779)	(83,104,090)
Transfer of revaluation surplus related to assets transferred to City of Perth		6,749,389	0	(6,749,389)	0
Transfers from/(to) reserves		3,329,432	(3,329,432)	0	0
Balance as at 30 June 2017		169,453,529	39,051,509	94,657,246	303,162,284

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

CITY OF SUBIACO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		21,677,855	21,390,590	22,643,931
Operating grants, subsidies and contributions		2,233,854	1,775,125	1,613,596
Operating reimbursements and donations		325,029	181,748	463,954
Fees and charges		12,640,709	14,100,045	11,518,258
Interest earnings		1,370,098	880,830	1,389,203
Goods and services tax		4,000,114	2,462,613	2,862,647
Sanitation Charges		4,732,564	4,660,050	5,428,305
Other revenue		878,601	572,600	1,513,671
		<u>47,858,824</u>	<u>46,023,601</u>	<u>47,433,565</u>
Payments				
Employee costs		(21,982,934)	(21,802,767)	(24,801,822)
Materials and contracts		(9,935,937)	(12,716,826)	(11,835,394)
Utility charges		(988,456)	(907,580)	(1,093,768)
Interest expenses		(573,813)	(608,600)	(772,207)
Donations, Contributions and Grants Made		0	(338,380)	0
Insurance expenses		(487,654)	(489,300)	(567,275)
Goods and services tax		(3,951,765)	(2,462,613)	(2,604,391)
Other expenditure		(1,268,021)	(705,770)	(1,635,519)
		<u>(39,188,580)</u>	<u>(40,031,836)</u>	<u>(43,310,376)</u>
Net cash provided by (used in) operating activities	15(b)	8,670,244	5,991,765	4,123,189
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development of Land and Buildings		(1,204,857)	(2,965,850)	(423,220)
Payments for development of Investment Properties		(691,651)	(645,000)	(2,456,761)
Payments for purchase of Furniture		(329,078)	(1,594,000)	(249,118)
Payments for purchase of Plant & Equipment		(1,212,345)	(1,913,000)	(735,069)
Payments for construction of infrastructure		(7,743,962)	(10,963,819)	(5,418,436)
Non-operating grants, subsidies and contributions		643,400	549,950	1,134,000
Proceeds from sale of land		0	3,000,000	13,063,637
Proceeds from sale of fixed assets		631,727	241,181	248,170
Net cash provided by (used in) investment activities		<u>(9,906,766)</u>	<u>(14,290,538)</u>	<u>5,163,203</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(1,436,632)	(1,239,300)	(1,507,222)
Proceeds from new debentures		0	2,000,000	400,000
Net cash provided by (used in) financing activities		<u>(1,436,632)</u>	<u>760,700</u>	<u>(1,107,222)</u>
Net increase (decrease) in cash held		(2,673,154)	(7,538,073)	8,179,170
Cash at beginning of year		50,842,852	47,669,572	42,663,682
Cash and cash equivalents at the end of the year	15(a)	<u>48,169,698</u>	<u>40,131,499</u>	<u>50,842,852</u>

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

**CITY OF SUBIACO
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Net current assets July 1 b/fwd - surplus/(deficit)		2,858,233	1,819,395	3,577,469
		<u>2,858,233</u>	<u>1,819,395</u>	<u>3,577,469</u>
Revenue from operating activities (excluding rates)				
Governance		225,720	31,500	500,078
General purpose funding		2,410,739	1,553,510	2,433,427
Law, order, public safety		51,950	130,000	56,032
Health		154,903	93,600	206,797
Education and welfare		1,329,822	1,349,245	1,443,860
Community amenities		4,942,571	4,873,020	5,922,089
Recreation and culture		3,435,374	4,241,412	3,290,480
Transport		4,450,707	4,323,798	5,094,976
Economic services		220,033	205,100	264,917
Other property and services		5,211,239	4,795,820	3,975,717
		<u>22,433,058</u>	<u>21,597,005</u>	<u>23,188,373</u>
Expenditure from operating activities				
Governance		(1,692,931)	(1,975,192)	(1,830,068)
General purpose funding		(895,708)	(1,009,770)	(1,068,165)
Law, order, public safety		(1,070,856)	(1,005,314)	(1,163,076)
Health		(665,014)	(797,393)	(731,655)
Education and welfare		(2,517,982)	(3,231,204)	(3,172,503)
Community amenities		(6,168,791)	(6,720,627)	(6,398,871)
Recreation and culture		(13,930,453)	(13,950,941)	(14,942,971)
Transport		(9,833,242)	(10,177,282)	(10,491,604)
Economic services		(2,305,265)	(2,521,316)	(2,476,804)
Other property and services		(4,023,372)	(1,777,084)	(2,280,079)
		<u>(43,103,614)</u>	<u>(43,166,123)</u>	<u>(44,555,796)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	22	(26,395)	(87,490)	(31,663)
Loss on disposal of assets	22	2,471,359	18,350	24,688
Movement in deferred pensioner rates (non-current)		10,567	0	(3,123)
Movement in employee benefit provisions (non-current)		(39,203)	0	(14,057)
Depreciation and amortisation on assets	2(a)	5,577,107	4,953,180	5,536,718
Amount attributable to operating activities		<u>(9,818,888)</u>	<u>(14,865,683)</u>	<u>(12,277,391)</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		643,400	549,950	1,134,000
Write back adjustment to share of associate		80,332	0	(49,642)
Movement in unspent grants		274,515	0	(336,261)
Proceeds from disposal of assets	22	631,727	3,241,181	13,311,807
Purchase of investment land and buildings		(691,651)	(645,000)	(2,456,761)
Purchase of property, plant and equipment	7(b)	(2,746,280)	(6,472,850)	(1,407,407)
Purchase and construction of infrastructure	9(b)	(7,743,962)	(10,963,819)	(5,418,436)
Amount attributable to investing activities		<u>(9,551,919)</u>	<u>(14,290,538)</u>	<u>4,777,300</u>

**CITY OF SUBIACO
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
FINANCING ACTIVITIES				
Repayment of debentures	23(a)	(1,436,632)	(1,239,300)	(1,507,222)
Proceeds from new debentures	23(a)	0	2,000,000	400,000
Transfers to reserves (restricted assets)	13	(11,737,264)	(13,064,918)	(21,391,022)
Transfers from reserves (restricted assets)	13	15,066,696	19,692,399	10,269,002
Amount attributable to financing activities		<u>1,892,800</u>	<u>7,388,181</u>	<u>(12,229,242)</u>
Surplus(deficiency) before general rates		<u>(17,478,007)</u>	<u>(21,768,040)</u>	<u>(19,729,333)</u>
Total amount raised from general rates	24	<u>21,651,292</u>	<u>21,768,040</u>	<u>22,587,566</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	25	<u>4,173,285</u>	<u>0</u>	<u>2,858,233</u>

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

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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. Material accounting policies which have been adopted in the preparation of this financial report are presented below and 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 value of selected non-current assets, financial assets and 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.

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 21 to these financial statements.

(b) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash 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 of changes in value and bank overdrafts.

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

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

Inventories are 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.

Land held for sale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

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

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

(f) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

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

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

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

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

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

Land under roads

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

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the 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 City.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

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:

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

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

Buildings	30-50	years
Furniture and equipment	4-10	years
Plant and equipment	5-15	years
Infrastructure Assets		
<u>Sealed roads and streets</u>	20-50	years
formation	not depreciated	
pavement	50	years
seal		
- bituminous seals	20	years
- asphalt surfaces	25	years
<u>Gravel roads</u>		
formation	not depreciated	
pavement	50	years
<u>Formed roads (unsealed)</u>		
formation	not depreciated	
pavement	50	years
<u>Footpaths</u>	20-40	years
<u>Laneways</u>	20-50	years
<u>Footpaths - slab</u>	20	years
<u>Sewerage piping</u>	100	years
<u>Water supply piping and drainage systems</u>	75	years
<u>Street Furniture</u>	15	years
<u>Park Furniture</u>	15	years
<u>Playground Equipment</u>	15	years
<u>Reticulation</u>	25	years

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 \$1,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

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

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset 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.

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities (Continued)

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 City gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability 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.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

(h) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

(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) Loans and receivables

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.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the City 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.

(iv) 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.

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.

(v) Financial liabilities

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

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

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).

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.

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.

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 City no longer has any significant continual involvement in the risks and benefits associated with the asset.

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.

(i) Impairment of Assets

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

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

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

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

(j) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

(l) Borrowing Costs

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

(m) Provisions

Provisions are recognised when the City 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.

(n) Leases

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

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

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

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

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

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

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

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

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

When the City's share of losses in an associate equals or exceeds its interest in the associate, the City discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the City will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(p) Investment Properties

Investment property, comprising freehold office complexes is held to generate long-term rental yields. All tenant leases are on an arm's length basis. Investment property is initially measured at cost and subsequently measured at fair value and any changes to fair value are recorded in the Statement of Comprehensive Income as other income.

The fair value of an investment property is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction of investment property being valued. Fair values are determined by the valuer using market information, including prices for similar properties in comparable locations.

(q) Interests in Joint Arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The City's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about joint ventures is set out in Note 18.

(r) Rates, Grants, Donations and Other Contributions

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

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

(s) Superannuation

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

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Current and Non-Current Classification

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

(u) Rounding Off Figures

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

(v) Comparative Figures

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

When the City 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.

(w) 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.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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 City.

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the City, 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 upon the nature of future transactions the City 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 onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.</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 City, the impact is not expected to be significant.</p>

Notes:

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

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <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 City's operations.</p>

Notes:

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

(y) Adoption of New and Revised Accounting Standards

During the current year, the City 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:

<p>(i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</p> <p>[AASB 10, 124 & 1049]</p>	<p>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>The Standard has had a significant disclosure impact on the financial report of the City as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.</p>
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CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES	2017	2016
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Significant Expense		
Other Property and Services	<u>(196,535)</u>	<u>0</u>
The significant expense in 2017 relates to:		
Fair Value adjustment of investment properties which has been classified as 'Other Expenses' by Nature or Type and 'Other Property and Services' by Program		
Investment Property Expense		
Direct Operating Expenses	281,171	629,018
Depreciation	113	113
	<u>281,284</u>	<u>629,131</u>
Auditors remuneration		
- Audit of the Annual Financial Report	31,480	29,618
- Other Services	5,900	9,504
	<u>37,380</u>	<u>39,122</u>
Depreciation		
Buildings - non-specialised	13,889	13,889
Buildings - specialised	1,472,283	1,504,565
Furniture and equipment	148,403	157,565
Plant and equipment	1,030,054	539,899
Infrastructure - Roads	1,012,897	1,223,972
Infrastructure - Footpaths	286,295	315,570
Infrastructure - Drainage	254,616	285,796
Other Infrastructure	203,010	207,410
Streetscape	228,445	307,195
Parks, gardens, reserves, and equipment	927,215	980,857
	<u>5,577,107</u>	<u>5,536,718</u>
Interest expenses (finance costs)		
Debentures (refer Note 23 (a))	608,167	715,758
	<u>608,167</u>	<u>715,758</u>
Rental charges		
- Operating leases	154,724	115,627
	<u>154,724</u>	<u>115,627</u>

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)	2017	2016
	\$	\$
(ii) Crediting as revenue:		
Investment Property Revenue		
Rent and outgoings	<u>4,840,314</u>	<u>3,590,404</u>
Significant revenue		
Governance	<u>0</u>	<u>500,000</u>

The significant revenue in 2016 relates to:

A one-off payment from the City of Perth towards redundancy payments following introduction of the City of Perth Act. which has been classified as 'Reimbursements & Donations' by Nature and Type and 'Governance' by Program

Other revenue		
Loan Contribution	223,606	0
Other (own source)	<u>654,995</u>	<u>1,513,671</u>
	<u>878,601</u>	<u>1,513,671</u>

	2017	2017	2016
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Reserve funds	1,058,425	578,830	978,462
- Other funds	237,240	250,000	349,599
Other interest revenue (refer note 29)	<u>74,433</u>	<u>52,000</u>	<u>61,142</u>
	<u>1,370,098</u>	<u>880,830</u>	<u>1,389,203</u>

(b) Statement of Objective

The City of Subiaco is dedicated to providing high quality services to the community through the various service-orientated programs which it has established.

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

COMMUNITY VISION

In 2030 the City of Subiaco is a unique, popular and welcoming place. The city celebrates its rich history while embracing the diversity and vitality of the present. The parks, public spaces, events and recreational opportunities are easily accessible and promote a healthy and happy lifestyle for all. There is a diverse range of local businesses and entertainment that contributes to a lively atmosphere. The city faces the challenges of the future with strong leadership, an innovative approach and an emphasis on community values and voices. Sustainability is at the core of the community and underpins the city's operation.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

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

GOVERNANCE

Objective:

To ensure high quality democratic processes and informed local decision making.

Activities:

Includes administration and operation of facilities and services to members of council and other costs that relate to the tasks of assisting members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective:

To fairly and efficiently levy and collect rates and other monies required to fund the city's operations.

Activities:

Rates revenue from rates levied under Division 6 of Part 6 of the Local Government Act 1995 and amounts receivable from the Western Australian Grants Commission and any government grants of a general purpose nature.

LAW, ORDER, PUBLIC SAFETY

Objective:

To ensure safety and amenity of the community in public areas.

Activities:

Control of parking facilities, implementation and control of parking, and other local laws. Also includes fire prevention outlays.

HEALTH

Objective:

To protect the health of all persons and promote environmental quality.

Activities:

Administration, inspection and operations of programs concerned with the general health of the community.

EDUCATION AND WELFARE

Objective:

To contribute towards the wellbeing of people with special needs.

Activities:

Maintenance of pre-school buildings, aged care services including home and community care, meals-on-wheels, and seniors activities.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide waste management services, which minimise adverse environmental impacts, orderly and controlled development of land and the built environment, and well maintained public conveniences.

Activities:

This includes the collection and disposal of community and domestic rubbish and recycling, and the administration and operation of town planning and sustainable development within the local government.

RECREATION AND CULTURE

Objective:

To provide and support community recreational and cultural pursuits.

Activities:

Maintenance of community, recreation and function centre, various reserves, and operation of the library.

TRANSPORT

Objective:

To facilitate safe and convenient transport access.

Activities:

Construction and maintenance of roads, drainage works, footpaths, traffic facilities.

ECONOMIC SERVICES

Objective:

To facilitate economic development, promote compliance with building standards, regulations and local laws and enhance public amenity by placing powerlines underground.

Activities:

Area promotion and building control services.

OTHER PROPERTY AND SERVICES

Objective:

To maximise long-term return on investment assets for the benefit of the community.

Activities:

Includes management of the city's investment assets.

STRATEGIC PLAN

In order to discharge its responsibilities to the community, the City has developed a strategic plan. The strategic plan sets the direction of the council so that the community's needs and expectations are met in a planned, co-ordinated and cost effective manner. The strategic plan states a vision of the city, being "a unique place where people want to be".

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Conditions Over Grants/Contributions		Opening			Closing			Closing
		Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Balance
Grant/Contribution	Function/ Activity	1/07/15	2015/16	2015/16	30/06/16	2016/17	2016/17	30/06/17
		\$	\$	\$	\$	\$	\$	\$
Transport								
Selby/Nash Road	Transport	20,450	0	0	20,450	0	(20,450)	0
Barker Road	Transport	2,947	82,500	0	85,447	0	(62,723)	22,724
Station Street	Transport	24,296	0	(5,157)	19,139	0	(19,139)	0
Railway Road	Transport	15,562	0	0	15,562	0	(15,562)	0
Jersey Street	Transport	0	85,500	(75,900)	9,600	0	0	9,600
Roberts Road	Transport	0	37,014	0	37,014	0	(10,315)	26,699
Nicholson Road	Transport	0	99,713	0	99,713	0	(99,713)	0
Selby (Lonnie-Hay St)	Transport	0	63,377	(4,162)	59,215	0	(59,215)	0
Winthorpe Ave	Transport	0	16,837	(16,692)	145	0	(145)	0
Station Street	Transport	0	0	0	0	30,900	(24,697)	6,203
Subiaco Road	Transport	0	0	0	0	14,000	(2,500)	11,500
Bagot Road	Transport	0	0	0	0	22,000	(4,650)	17,350
Harborne Street	Transport	0	0	0	0	75,801	(60,960)	14,841
Recreation & Culture								
Onslow Tennis Club	Recreation & Culture	0	53,231	0	53,231	0	(53,231)	0
Kidsport	Recreation & Culture	601	0	0	601	10,000	(7,201)	3,400
Restoration of Jolimont	Recreation & Culture	3,500	0	0	3,500	0	(3,500)	0
Community Amenities								
Subiaco Oval Heritage	Community Amenities	0	0	0	0	48,015	(31,230)	16,785
Total		67,356	438,172	(101,911)	403,617	200,716	(475,231)	129,102

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.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		8,989,087	8,058,293
Restricted		39,180,611	42,784,559
		<u>48,169,698</u>	<u>50,842,852</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Plant and Equipment Replacement	13	1,813,320	1,859,864
Building and Facilities	13	1,405,211	1,907,333
Parking and Public Transport Improvements	13	1,062,429	257,478
Waste Management	13	2,127,886	1,997,068
HACC Capital Grants	13	0	30,905
Undergrounding of Power Lines	13	784,594	225,137
Capital Investment	13	22,866,504	26,933,982
Student Bursaries	13	55,079	53,784
Infrastructure Replacement	13	703,060	862,474
Investment Income Reserve	13	7,318,782	7,468,678
Public Art	13	180,549	80,618
Heritage Grants Reserve	13	63,321	48,621
Information Technology Reserve	13	670,774	655,000
Unspent grants	2(c)	129,102	403,617
		<u>39,180,611</u>	<u>42,784,559</u>

4. INVESTMENTS IN ASSOCIATE

Western Metropolitan Regional Council

The City of Subiaco, together with the Town of Cottesloe, the Town of Claremont, the Town of Mosman Park and the Shire of Peppermint Grove have a joint venture arrangement with regard to the provision of a waste transfer station.

The Western Metropolitan Regional Council was formed to provide for the efficient treatment and/or disposal of waste. A waste transfer station was constructed from funds provided by constituent Councils. The share held by the City of Subiaco is 38.33%.

	2017 \$	2016 \$
(a) Retained surplus attributed to		
Investment in Associate:		
Balance at the beginning of the financial year	700,501	585,438
-Share of associate's profit/(loss) from ordinary activities	(80,332)	50,084
-Share of associate's corrections to prior period entry	0	(442)
-Share of associate's revaluation increment arising during the year	24,548	65,421
Balance at the end of the financial year	<u>644,717</u>	<u>700,501</u>

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
4. INVESTMENTS IN ASSOCIATE (Continued)		
(b) Carrying Amount of Investment in Associate		
Balance at the beginning of the financial year	2,297,586	2,182,523
-Share of associate's profit/(loss) from ordinary activities	(80,332)	50,084
-Share of associate's corrections to prior period entry	0	(442)
-Share of associate's revaluation increment arising during the year	24,548	65,421
Balance at the end of the financial year	<u>2,241,802</u>	<u>2,297,586</u>
(c) Share of associate entity's results and financial position		
Current Assets	1,528,208	1,518,778
Non Current Assets	939,612	1,080,292
Total Assets	<u>2,467,820</u>	<u>2,599,070</u>
Current Liabilities	220,272	255,958
Non Current Liabilities	5,746	12,526
Total Liabilities	<u>226,018</u>	<u>268,484</u>
Revenues	1,998,142	2,309,272
Expenses	(2,013,067)	(2,259,188)
Share of Net Result	(65,407)	0
Total Profit/(Loss) from ordinary activities	<u>(80,332)</u>	<u>50,084</u>
Other Comprehensive Income		
Corrections to prior period entry	0	(442)
Changes in revaluation of non current assets	24,548	65,421
Total Other Comprehensive Income	<u>24,548</u>	<u>64,979</u>
Total Comprehensive Income.	<u>(55,784)</u>	<u>115,063</u>
5. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	360,323	376,319
Sundry debtors	2,617,549	2,450,887
GST receivable	88,838	137,187
Accrued Income	242,165	145,757
Prepayments	192,683	32,514
Less Allowance for Doubtful Debts	(725,128)	(633,278)
	<u>2,776,430</u>	<u>2,509,386</u>
Non-current		
Rates outstanding - pensioners	147,685	158,252
	<u>147,685</u>	<u>158,252</u>

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017 \$	2016 \$
5. TRADE AND OTHER RECEIVABLES (Continued)		
Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:		
Rates outstanding	360,323	376,319
Includes:		
Current	285,439	247,987
Past due and not impaired	74,884	128,332
Sundry debtors	2,617,549	2,450,887
Includes:		
Current	705,541	465,669
Past due and not impaired	1,186,880	1,351,940
Impaired	725,128	633,278
6. INVENTORIES		
Current		
Consumables	29,336	28,795
	29,336	28,795
7 (a). PROPERTY, PLANT AND EQUIPMENT		
Land - freehold at:		
- Independent valuation 2014 - level 2	0	95,390,000
- Independent valuation 2017 - level 2	23,350,000	0
- Independent valuation 2017 - level 3	12,810,000	0
	36,160,000	95,390,000
	36,160,000	95,390,000
Buildings - non-specialised at:		
- Independent valuation 2014 - level 3	0	375,000
- Independent valuation 2017 - level 3	131,342	0
Less: accumulated depreciation	0	(27,778)
	131,342	347,222
Buildings - specialised at:		
- Independent valuation 2014 - level 3	0	28,261,155
- Independent valuation 2017 - level 3	26,091,552	0
- Additions after valuation - cost	0	3,543,247
Less: accumulated depreciation	0	(3,036,342)
	26,091,552	28,768,060
	26,222,894	29,115,282
Total land and buildings	62,382,894	124,505,282

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
7(a) PROPERTY, PLANT AND EQUIPMENT (Continued)		
Furniture and equipment at:		
- Management valuation 2015 - level 2	606,537	659,379
- Additions after valuation - cost	578,196	249,118
Less: accumulated depreciation	(296,185)	(157,565)
	<u>888,548</u>	<u>750,932</u>
 Plant and equipment at:		
- Management valuation 2016 - level 2	949,599	1,698,579
- Management valuation 2016 - level 3	1,024,862	1,248,227
- Additions after valuation - cost	1,212,345	0
Less: accumulated depreciation	(909,934)	0
	<u>2,276,872</u>	<u>2,946,806</u>
	<u><u>65,548,314</u></u>	<u><u>128,203,020</u></u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. 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.

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Boundary Adjustment Transfers \$	Carrying Amount at the End of Year \$
Land - freehold land	95,390,000	0	0	(59,230,000)	0	0	0	0	36,160,000
Total land	95,390,000	0	0	(59,230,000)	0	0	0	0	36,160,000
Buildings - non-specialised	347,222	0	0	(201,991)	0	0	(13,889)	0	131,342
Buildings - specialised	28,768,060	1,204,857	0	(2,305,336)	0	0	(1,472,283)	(103,746)	26,091,552
Total buildings	29,115,282	1,204,857	0	(2,507,327)	0	0	(1,486,172)	(103,746)	26,222,894
Total land and buildings	124,505,282	1,204,857	0	(61,737,327) (*)	0	0	(1,486,172)	(103,746)	62,382,894
Furniture and equipment	750,932	329,078	(43,059)	0	0	0	(148,403)	0	888,548
Plant and equipment	2,946,806	1,212,345	(757,038)	0	0	0	(1,030,054)	(95,187)	2,276,872
Total property, plant and equipment	128,203,020	2,746,280	(800,097)	(61,737,327) (*)	0	0	(2,664,629)	(198,933)	65,548,314

(*) This asset class was initially recognised at fair value at 30 June 2014.

The City has previously valued all of its freehold lands at the highest and best use (HBU) on the basis of their alternative uses instead of their existing/current uses. The City has now adopted fair values for its freehold lands recognising the existing uses as HBU. This resulted in the community facilities being valued recognising their community uses.

The City's assets are intended to be retained at their current uses continuously into the foreseeable future for the purpose of maximising the value of its assets to the Community. Therefore, in assessing the value of the assets, the City have regarded the current use of an asset is its HBU unless there was evidence i.e. market or other factors suggest a different use would maximise its value.

In 2013/14 the highest and best use valuation resulted in an increase in the value of Community and Social Properties of \$107,198,450. In 2016/17 the revaluation surplus was adjusted downwards by \$61,712,779 which has been shown separately in the Statement of Comprehensive Income.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and Buildings					
Land - freehold land	2 & 3	Market approach using recent observable or estimated market data for similar properties	Independent registered valuers	June 2017	Price per hectare / estimated price per hectare
Buildings - non-specialised	3	Cost Approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - specialised	3	Cost Approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Furniture and equipment	2	Market approach using recent observable market data for similar properties	Management Valuation	June 2015	Price per item
Plant and equipment					
- Management valuation 2016	2	Market approach using recent observable market data for similar properties	Management Valuation	June 2016	Price per item
- Management valuation 2016	3	Cost Approach using depreciated replacement cost	Management Valuation	June 2016	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 by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017 \$	2016 \$
8. INVESTMENT PROPERTIES		
(a) Investment Land		
- Independent Valuation 2014 - level 2	0	96,312,762
- Independent Valuation 2017 - level 2	80,560,000	0
- Independent Valuation 2017 - level 3	8,720,000	0
- Additions after valuation - cost	0	2,291,868
	89,280,000	98,604,630
 <u>Investment Buildings</u>		
- Independent Valuation 2014 - level 3	0	11,686,460
- Independent Valuation 2017 - level 2	4,207,667	0
- Independent Valuation 2017 - level 3	5,601,953	0
- Additions after valuation - cost	0	164,893
	9,809,620	11,851,353
	99,089,620	110,455,983

(b) Movements in Carrying Amounts

	Investment Land (Level 2 & 3) \$	Investment Buildings (Level 2 & 3) \$	Work In Progress \$	Total \$
Balance as at the beginning of the year	98,604,630	11,851,353	0	110,455,983
Additions	653,324	38,327	0	691,651
(Disposals)	0	(2,276,595)	0	(2,276,595)
Revaluation - Increments	0	196,535 (*)	0	196,535 (*)
- (Decrements)	(9,977,954) (*)			(9,977,954) (*)
Impairment - (Losses)	0	0	0	0
- Reversals	0	0	0	0
Depreciation (Expense)	0	0	0	0
 Carrying amount at the end of year	89,280,000	9,809,620	0	99,089,620

(*) This asset class was initially recognised at fair value at 30 June 2014.

The City has previously valued all of its freehold lands at the highest and best use (HBU) on the basis of their alternative uses instead of their existing/current uses. The City has now adopted fair values for its freehold lands recognising the existing uses as HBU.

The City's assets are intended to be retained at their current uses continuously into the foreseeable future for the purpose of maximising the value of its assets to the Community. Therefore, in assessing the value of the assets, the City have regarded the current use of an asset is its HBU unless there was evidence i.e. market or other factors suggest a different use would maximise its value.

In 2013/14 the highest and best use valuation resulted in an increase in the value of investment properties of \$80,474,905 which was shown as revenue in that year. The 2016/17 fair value valuation has resulted in a loss adjustment of \$9,781,419 which has been shown separately in the Statement of Comprehensive Income.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

8. INVESTMENT PROPERTIES (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Investment Land	2 or 3	Market approach using recent observable or estimated market data for similar properties	Independent registered valuers	June 2017	Price per hectare (level 2) / Estimated price per hectare (level 3)
Investment Buildings	2 or 3	Cost approach using depreciated replacement cost or Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	Price per square metre / market borrowing rate (level 2), 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 by the local government to determine the fair value of investment property using either level 2 or level 3 inputs.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
9 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2015 - level 3	51,967,364	60,252,700
- Additions after valuation - cost	4,977,282	2,103,335
Less: accumulated depreciation	<u>(2,236,870)</u>	<u>(1,223,972)</u>
	54,707,776	61,132,063
Infrastructure - Footpaths		
- Management valuation 2015 - level 3	11,289,020	12,604,065
- Additions after valuation - cost	142,147	105,901
Less: accumulated depreciation	<u>(601,865)</u>	<u>(315,570)</u>
	10,829,302	12,394,396
Infrastructure - Drainage		
- Management valuation 2015 - level 3	17,093,306	19,279,940
- Additions after valuation - cost	1,507,024	648,371
Less: accumulated depreciation	<u>(540,413)</u>	<u>(285,796)</u>
	18,059,917	19,642,515
Other Infrastructure		
- Management valuation 2015 - level 2	679,300	769,300
- Management valuation 2015 - level 3	39,250	39,250
- Additions after valuation - cost	57,509	22,764
Less: accumulated depreciation	<u>(410,420)</u>	<u>(207,410)</u>
	365,639	623,904
Streetscape		
- Management valuation 2015 - level 3	4,644,221	5,196,500
- Additions after valuation - cost	4,742,104	1,807,760
Less: accumulated depreciation	<u>(535,640)</u>	<u>(307,195)</u>
	8,850,685	6,697,065
Parks, gardens, reserves, and equipment		
- Management valuation 2015 - level 3	7,776,350	8,382,150
- Additions after valuation - cost	1,736,332	730,305
Less: accumulated depreciation	<u>(1,908,071)</u>	<u>(980,857)</u>
	7,604,611	8,131,598
	<u>100,417,930</u>	<u>108,621,541</u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A(2) which requires infrastructure to be shown at fair value.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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.

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Boundary Adjustment Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	61,132,063	2,873,947	0	0	0	0	(1,012,897)	(8,285,337)	54,707,776
Infrastructure - Footpaths	12,394,396	36,246	0	0	0	0	(286,295)	(1,315,045)	10,829,302
Infrastructure - Drainage	19,642,515	858,653	0	0	0	0	(254,616)	(2,186,635)	18,059,917
Other Infrastructure	623,904	34,745	0	0	0	0	(203,010)	(90,000)	365,639
Streetscape	6,697,065	2,934,344	0	0	0	0	(228,445)	(552,279)	8,850,685
Parks, gardens, reserves, and equipment	8,131,598	1,006,027	0	0	0	0	(927,215)	(605,799)	7,604,611
Total infrastructure	108,621,541	7,743,962	0	0	0	0	(2,912,478)	(13,035,095)	100,417,930

An adjustment was made to the opening balance of the Streetscape asset class as this was understated by \$2,576,000 with a corresponding adjustment to the "Parks, gardens, reserves and equipment" asset class which was overstated by \$2,576,000 following the 2014/15 fair value revaluation of infrastructure assets. There was no net overall change in the total carrying amount of infrastructure assets however this adjustment has resulted in a change to the Asset Revaluation Reserve held for these asset classes (see Note 14).

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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	Independent registered valuers	June 2015	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	Independent registered valuers	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Drainage	3	Cost Approach using depreciated replacement cost	Independent registered valuers	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Streetscape	3	Cost Approach using depreciated replacement cost	Independent registered valuers	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Parks, gardens, reserves, and equipment	3	Cost Approach using depreciated replacement cost	Independent registered valuers	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Other Infrastructure	2 or 3	Market approach using recent observable market data for similar items / Cost Approach using depreciated replacement cost	Independent registered valuers	June 2015	Price per item / 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.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017 \$	2016 \$
10. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	2,322,181	2,301,453
Accrued interest on debentures	94,677	60,323
Accrued salaries and wages	207,602	172,540
Bond Creditors	1,308,194	1,604,273
Income in Advance	710,494	513,064
Accrued Expenses	144,754	197,983
	<u>4,787,902</u>	<u>4,849,636</u>

11. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	375,703	1,242,550
	<u>375,703</u>	<u>1,242,550</u>
Non-current		
Secured by floating charge		
Debentures	6,786,491	7,356,276
	<u>6,786,491</u>	<u>7,356,276</u>

Additional detail on borrowings is provided in Note 23.

12. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Provision for Sick Leave \$	Total \$
Opening balance at 1 July 2016				
Current provisions	1,485,336	1,147,333	255,937	2,888,606
Non-current provisions	0	513,972	0	513,972
	<u>1,485,336</u>	<u>1,661,305</u>	<u>255,937</u>	<u>3,402,578</u>
 Additional provision	 1,473,933	 312,736	 86,421	 1,873,090
Amounts used	(1,611,565)	(275,805)	(79,863)	(1,967,233)
Balance at 30 June 2017	<u>1,347,704</u>	<u>1,698,236</u>	<u>262,495</u>	<u>3,308,435</u>
 Comprises				
Current	1,347,704	1,223,467	262,495	2,833,666
Non-current	0	474,769	0	474,769
	<u>1,347,704</u>	<u>1,698,236</u>	<u>262,495</u>	<u>3,308,435</u>

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

13. RESERVES - CASH BACKED

	Actual 2017 Opening Balance \$	Actual 2017 Transfer to \$	Actual 2017 Transfer (from) \$	Actual 2017 Closing Balance \$	Budget 2017 Opening Balance \$	Budget 2017 Transfer to \$	Budget 2017 Transfer (from) \$	Budget 2017 Closing Balance \$	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$
Plant and Equipment Replacement	1,859,864	505,315	(551,859)	1,813,320	1,433,309	473,934	(1,051,000)	856,243	1,425,297	629,318	(194,751)	1,859,864
Building and Facilities	1,907,332	101,615	(603,736)	1,405,211	2,185,245	77,660	(1,179,500)	1,083,405	2,195,362	61,235	(349,265)	1,907,332
Parking and Public Transport Improvements	257,478	947,218	(142,267)	1,062,429	193,244	954,647	(690,000)	457,891	1,410,829	439,352	(1,592,703)	257,478
Waste Management	1,997,068	580,818	(450,000)	2,127,886	1,766,879	18,920	(455,000)	1,330,799	1,000,533	996,535	0	1,997,068
HACC Capital Grants	30,905	745	(31,650)	0				0	91,438	2,550	(63,083)	30,905
Undergrounding of Power Lines	225,137	1,064,412	(504,955)	784,594	139,793	1,060,940	(468,300)	732,433	807,503	1,331,514	(1,913,880)	225,137
Capital Investment	26,933,982	132,818	(4,200,296)	22,866,504	24,027,851	2,789,181	(4,790,100)	22,026,932	16,016,064	13,364,424	(2,446,506)	26,933,982
Student Bursaries	53,784	1,295	0	55,079	56,607	1,210	0	57,817	52,324	1,460	0	53,784
Infrastructure Replacement	862,474	983,061	(1,142,475)	703,060	878,150	973,500	(1,658,441)	193,209	585,928	643,326	(366,780)	862,474
Investment Income Reserve	7,468,678	7,201,380	(7,351,276)	7,318,782	4,924,200	6,546,936	(8,877,808)	2,593,328	7,629,554	3,098,078	(3,258,954)	7,468,678
Public Art	80,618	151,642	(51,711)	180,549	0	117,000	(117,000)	0	0	117,000	(36,382)	80,618
Heritage Grants Reserve	48,621	51,171	(36,471)	63,321	47,507	50,990	(50,000)	48,497	44,089	51,230	(46,698)	48,621
Information Technology Reserve	655,000	15,774	0	670,774	655,000	0	(355,250)	299,750	0	655,000	0	655,000
	42,380,941	11,737,264	(15,066,696)	39,051,509	36,307,785	13,064,918	(19,692,399)	29,680,304	31,258,921	21,391,022	(10,269,002)	42,380,941

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.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

13. RESERVES - CASH BACKED (Continued)

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	Anticipated date of use	Purpose of the reserve
Plant and Equipment Replacement	Ongoing	To fund future replacement of plant.
Building and Facilities	Ongoing	To provide funds for the future maintenance of council buildings and facilities.
Parking and Public Transport Improvements	Ongoing	To maintain and improve the parking facilities within the City.
Waste Management	Ongoing	To fund the improvement, replacement and expansion of waste management facilities. Surplus operating funds for Waste Services are transferred to the reserve each year to provide for future plant replacement.
HACC Capital Grants	Ongoing	To hold capital grants not yet spent on grant purpose.
Undergrounding of Power Lines	2034/35	To contribute towards the future undergrounding of powerlines. The City of Subiaco has completed the undergrounding of low voltage power lines, together with associated street lighting improvements as part of the State Underground Power Program. Undergrounding of power and associated lighting is to be paid from general revenue using loan funds if required.
Capital Investment	Ongoing	<p>A Capital Investment reserve is to be maintained to hold the following investment funds:</p> <ul style="list-style-type: none"> - The existing Capital Investment reserve proceeds of any sale of land or other long-term Investment - The City's share of the net surplus from the Subi Centro project; and - any other funds as determined by Council from time-to-time. <p>The Capital Investment Reserve will be maintained as a holding reserve for investment capital, where available funds will be consolidated until being used only for the purchase of other investment assets (whether property or other assets) in accordance with specific resolutions of Council.</p>
Student Bursaries	Ongoing	To provide for the development of students within the City of Subiaco.
Infrastructure Replacement	Ongoing	To ensure the continued funding of infrastructure replacement.
Investment Income Reserve	Ongoing	<p>An investment Income Reserve will be maintained to hold all rents and other income received from long-term investment assets. Effective as of 1 July 2004, all investment income is to be transferred to the Investment Income Reserve from general revenue at six-monthly intervals in accordance with Section 8 of Policy 10.9 Investment Assets. Funds held in the Investment Income Reserve may be disbursed from time-to-time and in accordance with resolutions of Council as follows:</p> <ul style="list-style-type: none"> - To meet direct costs incurred in managing the investment portfolio; - To compensate general revenue for internal costs incurred in managing the investment portfolio; - To supplement general revenue as determined by resolution of Council to finance specific community development projects approved by an absolute majority of Council; and - Reinvestment in the Capital Investment Reserve determined by resolution of Council.
CBD Promotion Reserve	2015/16	All unspent funds from the "Specified Area Rate" for business promotion, are to be transferred to the CBD Promotion Reserve for future utilisation for business promotion.
Public Art	Ongoing	To enable the City to support the development and procurement of significant works.
Heritage Grants Reserve	Ongoing	To provide grants toward works which contribute to the retention of the heritage, values and character of privately owned properties listed on the Town Planning Scheme No. 4 Register of Places of Cultural Heritage Significance or are situated within a declared Conservation Area, in accordance with the City of Subiaco Heritage Incentives Policy.
Information Technology Reserve	Ongoing	To fund replacement of IT infrastructure and systems.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

14. REVALUATION SURPLUS

	2017 Opening Balance \$	2017 Revaluation Increment \$	2017 Revaluation (Decrement) \$	2017 Total Movement on Revaluation \$	2017 Movement between classes	2017 Reversal on Assets Transferred \$	2017 Closing Balance \$	2016 Opening Balance \$	2016 Revaluation Increment \$	2016 Revaluation (Decrement) \$	2016 Total Movement on Revaluation \$	2016 Closing Balance \$
Land and buildings	107,198,450	0	(61,737,327)	(61,737,327)	0	(118,150)	45,342,973	107,198,450	0	0	0	107,198,450
Furniture and Equipment	3,122	0	0	0	(3,122)	0	0	0	3,122	0	3,122	3,122
Plant and Equipment	847,792	0	0	0	(148,987)	(22,833)	675,972	86,687	761,105	0	761,105	847,792
Roads	38,442,220	0	0	0	0	(4,613,066)	33,829,154	38,442,220	0	0	0	38,442,220
Footpaths	7,976,482	0	0	0	0	(957,178)	7,019,304	7,976,482	0	0	0	7,976,482
Drainage	6,948,901	0	0	0	0	(833,868)	6,115,033	6,948,901	0	0	0	6,948,901
Other Infrastructure	515,415	0	0	0	0	(61,850)	453,565	515,415	0	0	0	515,415
Streetscape	1,187,032	0	0	0	0	(142,444)	1,044,588	1,187,032	0	0	0	1,187,032
Investment in Associate	0	24,548		24,548	152,109	0	176,657	0	0	0	0	0
	163,119,414	24,548	(61,737,327)	(61,712,779)	0	(6,749,389)	94,657,246	162,355,187	764,227	0	764,227	163,119,414

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.

An adjustment was made to the 2016 Asset Revaluation Reserve opening balance relating to Streetscape and Parks & Ovals. The adjustment was between the two asset classes and there was no net change in the total infrastructure assets held (See Note 9). The adjustment resulted in an additional increase in the Asset Revaluation Reserve resulting from the 2014/15 fair value revaluation of infrastructure assets. The corresponding entry is a reduction in the city's accumulated surplus balance.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) 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:

	2017	2017	2016
	\$	Budget	\$
Cash and cash equivalents	<u>48,169,698</u>	<u>40,131,499</u>	<u>50,842,852</u>

(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	(8,157,283)	748,872	2,354,143
Non-cash flows in Net result:			
Depreciation	5,577,107	4,953,180	5,536,718
(Profit)/Loss on sale of asset	2,444,964	(69,140)	(6,975)
Adjustment to share in associate	80,332	0	(49,642)
Fair value adjustments to investment properties at fair value through profit or loss	9,781,419	0	0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(256,477)	483,433	(635,358)
(Increase)/Decrease in inventories	(541)	0	(9,388)
Increase/(Decrease) in payables	(61,734)	170,370	(1,721,747)
Increase/(Decrease) in provisions	(94,143)	255,000	(210,562)
Grants contributions for the development of assets	(643,400)	(549,950)	(1,134,000)
Net cash from operating activities	<u>8,670,244</u>	<u>5,991,765</u>	<u>4,123,189</u>

	2017	2016
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	40,000	30,000
Credit card balance at balance date	0	0
Total amount of credit unused	<u>40,000</u>	<u>30,000</u>
Loan facilities		
Loan facilities - current	375,703	1,242,550
Loan facilities - non-current	6,786,491	7,356,276
Total facilities in use at balance date	<u>7,162,194</u>	<u>8,598,826</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

16. CONTINGENT ASSETS

By way of an agreement signed in April 1996 between the City and the Minister for Planning, the City is entitled to a 20% share on any net surplus arising from the "Subi Centro" development project. A non-refundable amount of \$6.1 million was paid to the City in 2006/07 as an interim payment. As the project is not yet complete, no provision has been raised to bring to account the City's share, if any, of any net surplus arising. If the project does not return a surplus the City is not required to contribute to any shortfall.

17. CAPITAL AND LEASING COMMITMENTS	2017	2016
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	156,771	149,347
- later than one year but not later than five years	101,095	199,217
- later than five years	0	0
	<u>257,866</u>	<u>348,564</u>
Receivable:		
- not later than one year	3,915,244	3,915,244
- later than one year but not later than five years	12,864,015	14,554,803
- later than five years	14,702,335	18,634,639
	<u>31,481,594</u>	<u>37,104,686</u>

The Operating Lease Commitment Receivable in 2016 and 2017 relates to lease income to be generated through the city's investment property portfolio for properties with a current lease agreement in place. It is stated in today's dollars and does not include CPI or any other increases that may be applied in a given year through the terms of the lease agreement.

(b) Capital Expenditure Commitments

Contracted for:		
- capital expenditure projects	1,617,741	538,640
- plant & equipment purchases	1,294,395	62,691
Payable:		
- not later than one year	2,912,136	601,331

The capital expenditure project outstanding at the end of the current reporting period represents works in progress related to upgrades in parks, playgrounds, roads, drainage and buildings. The plant & equipment purchases relate to the purchase of 2 waste trucks and other plant items that were not available for delivery until the following financial year.

18. JOINT VENTURE ARRANGEMENTS

The City is not involved in any joint venture arrangements.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

19. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	4,223	6,471
General purpose funding	2,924,115	2,667,638
Law, order, public safety	99,570	154,560
Health	48,863	62,862
Education and welfare	1,996,140	3,959,094
Community amenities	2,518,028	2,426,884
Recreation and culture	38,978,151	69,631,356
Transport	108,973,603	140,582,038
Economic services	24,824	35,479
Other property and services	162,853,297	183,591,032
	<u>318,420,815</u>	<u>403,117,414</u>

	2017	2016	2015
20. FINANCIAL RATIOS			
Current ratio	1.48	1.18	1.14
Asset sustainability ratio	1.00	0.95	2.16
Debt service cover ratio (*)	(1.28)	3.36	1.34
Operating surplus ratio (*)	(0.21)	0.03	(0.11)
Own source revenue coverage ratio (*)	0.79	0.99	0.86

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	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

(*) Loss on net assets transferred to the City of Perth through boundary adjustment was excluded for the calculation of these ratios.

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 66 of this document.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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20. FINANCIAL RATIOS (Continued)

2017

The Current Ratio, Operating Surplus Ratio and Debt Service Cover Ratio as disclosed above were distorted by the early receipt of part of the allocation of the 2017-18 Financial Assistance Grant in June 2017. The early payment of the grant increased operating revenue in 2017 by \$283,168.

The Debt Service Cover Ratio as disclosed above was also distorted by \$1,023,554 being additional lump sum repayments made in addition to the standard loan repayments in order to finalise Loan 118 (Chamber and Office Improvements), Loan 124 (street lighting) and Loan 125 (drainage). The Operating Surplus Ratio and Own Source Revenue Ratio were also distorted by \$115,992 being the premium paid on early finalisation of loans.

The Operating Surplus Ratio and Own Source Revenue Ratio and Debt Service Cover Ratio as disclosed above have also been distorted by an item of significant expenditure of \$9,781,419 relating to fair value adjustment of investment property land and building assets.

The Operating Surplus Ratio and Own Source Revenue Ratio and Debt Service Cover Ratio as disclosed above have also been distorted by \$2,276,595 relating to loss on building assets as the building was demolished and subsequently written off.

The Own Source Revenue Ratio as disclosed above has also been distorted by \$223,606 being contribution received from the City of Perth for repayment of the balance of loan 124 (streetlighting), funded to install streetlighting assets subsequently transferred under the City of Perth Act.

2016

The Debt Service Cover Ratio has been adjusted by \$1,169,769 which relates to a lump sum payment made in addition to the standard loan repayments in relation to Loan 123A for Underground Power.

2015

The Debt Service Cover Ratio has also been adjusted by \$455,690 which relates to a lump sum payment made in addition to the standard loan repayments to finalise Loan 122 for Underground Power.

The Debt Service Cover Ratio, Operating Surplus Ratio and Own Source Revenue Coverage Ratio disclosed above are distorted by items of significant expenditure of \$1,690,656 relating to fair value adjustment of fixed assets and \$2,235,732 relating to installation of underground power. These items form part of operating expenditure and have been included in the calculations above.

The items described above are considered to be "one off" and, if they were ignored, the calculations disclosed would be as below:

	2017	2016	2015
Current Ratio	1.44	N.A.	N.A.
Debt Service Cover Ratio	10.00	7.10	7.67
Operating Surplus Ratio	0.07	N.A.	(0.01)
Own Source Revenue Coverage Ratio	1.02	N.A.	0.94

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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21. TRUST FUNDS

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

	1 July 2016 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2017 \$
Building Industry Training Fund	0	145,843	(145,843)	0
Building Commission	0	148,563	(148,563)	0
	<u>0</u>			<u>0</u>

22. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR

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 Profit \$	Budget Loss \$
Investment Buildings								
Other property and services								
Buildings	2,276,595	0	0	(2,276,595) (*)	0	0	0	0
Furniture and Equipment								
Recreation and culture								
Office Equipment	1,632	0	0	(1,632)	0	0	0	0
Other property and services								
Office Equipment	41,427	0	0	(41,427)	0	0	0	0
Plant and Equipment								
Law, order, public safety								
Light Vehicles	119,733	92,500	0	(27,233)	30,860	28,000	0	(2,860)
Light Vehicles	7,702	16,818	9,116	0				
Education and welfare								
Light Vehicles	27,209	25,909	0	(1,300)	15,320	15,000	0	(320)
Community amenities								
Heavy Vehicles	12,525	4,545	0	(7,980)				
Light Vehicles	29,777	30,682	905	0	13,330	15,000	1,670	0
Light Vehicles					13760	10000	0	(3,760)
Recreation and culture								
Light Plant	31,094	6,591	0	(24,503)	0	0		
Light Vehicles	62,423	52,727	0	(9,696)	35,990	30,000	0	(5,990)
Light Plant	2,467	6,273	3,806	0	7,200	9,000	1,800	0
Light Vehicles	59,800	61,818	2,018	0	54,490	57,000	2,510	0
Transport								
Light Vehicles	133,752	96,364	0	(37,388)	18,870	15,000	0	(3,870)
Heavy Vehicles	0	0	0	0	97,310	145,000	47,690	0
Light Vehicles	0	0	0	0	14,000	15,000	1,000	0
Other property and services								
Light Vehicles	206,560	162,955	0	(43,605)	31,550	30,000	0	(1,550)
Light Vehicles	63,995	74,545	10,550	0	38,310	54,000	15,690	0
Heavy Vehicles	0	0	0	0	11870	29000	17,130	0
	<u>3,076,691</u>	<u>631,727</u>	<u>26,395</u>	<u>(2,471,359)</u>	<u>382,860</u>	<u>452,000</u>	<u>87,490</u>	<u>(18,350)</u>

(*) Building demolished and hence written off. Refer to Note 35 for further information.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

23. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2016 \$	New Loans Actual \$	Budget	Principal Repayments Actual \$	Budget \$	Principal 30 June 2017 Actual \$	Budget \$	Interest Repayments Actual \$	Budget \$	Self Supporting? Y/N
Governance										
Loan 126 - Regal Theatre Contribution	400,000	0	0	100,000	100,000	300,000	300,000	10,328	12,300	N
Recreation and culture										
Loan 121A - Rosalie Park Improvements	619,489	0	0	28,850	28,900	590,639	590,628	42,152	42,200	N
Loan 121B - Rosalie Park Improvements	140,072	0	0	5,944	5,900	134,128	134,171	9,341	9,300	N
Loan 121C - Rosalie Park Improvements	1,010,423	0	0	37,216	34,000	973,207	976,397	51,848	49,100	N
Loan 121D- Rosalie Park Improvements	186,994	0	0	18,102	18,100	168,892	168,900	7,445	7,400	N
Major Open Parkland (Lake Jualbup) (*)	0	0	1,000,000	0	0	0	1,000,000	0	0	N
Subiaco Common (*)	0	0	1,000,000	0	0	0	1,000,000	0	0	N
Transport										
Loan 124 - Street Lighting	214,883	0	0	214,883	20,800	0	194,100	14,204	8,600	N
Loan 125 - Drainage Keightly Road	580,148	0	0	580,148	580,100	0	0	58,708	51,800	N
Economic services										
Loan 123A - Undergrounding of Powerlines	3,056,990	0	0	106,592	106,600	2,950,398	2,950,345	215,068	176,800	N
Loan 123B - Undergrounding of Powerlines	2,119,827	0	0	74,897	74,900	2,044,930	2,044,907	108,401	110,000	N
Other Property and services										
Loan 118 - Chamber and Office Improvements	270,000	0	0	270,000	270,000	0	0	90,672	21,800	N
	8,598,826	0	2,000,000	1,436,632	1,239,300	7,162,194	9,359,448	608,167	489,300	

(*) Loan remained undrawn at 30th June 2017

All other loan repayments were financed by general purpose revenue.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

23. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2016/17

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Major Open Parkland (Lake Jualbup) (*)	0	1,000,000	WATC	Debenture	10	0	2.88%	0	1,000,000	0
Subiaco Common (*)	0	1,000,000	WATC	Debenture	10	0	2.88%	0	1,000,000	0
	0	2,000,000				0		0	2,000,000	0

(*) Loan remained undrawn at 30th June 2017

(c) Unspent Debentures

The City did not have any unspent debentures as at 30 June 2017.

(d) Overdraft

The City did not have an overdraft as at 30 June 2017.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

24. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
General rate											
Gross rental value valuations											
GRV - Residential	0.0547	6,886	227,064,979	12,410,690	203,937	5,597	12,620,224	12,410,690	250,000	5,000	12,665,690
GRV - Commercial	0.0547	1,262	149,010,128	8,144,447	(8,284)	(54,121)	8,082,042	8,144,450	0	0	8,144,450
GRV - Industrial	0.0547	10	1,066,005	58,265	(576)	(522)	57,167	58,260	0	0	58,260
Sub-Total		8,158	377,141,112	20,613,402	195,077	(49,046)	20,759,433	20,613,400	250,000	5,000	20,868,400
Minimum payment	Minimum \$										
Gross rental value valuations											
GRV - Residential	918	957	13,275,222	878,526	(6,486)	(1,100)	870,940	878,530	0	0	878,530
GRV - Commercial	918	23	314,655	21,114	0	0	21,114	21,110	0	0	21,110
GRV - Industrial	918	0	0	0	0	0	0	0	0	0	0
Unimproved value valuations											
Sub-Total		980	13,589,877	899,640	(6,486)	(1,100)	892,054	899,640	0	0	899,640
		9,138	390,730,989	21,513,042	188,591	(50,146)	21,651,487	21,513,040	250,000	5,000	21,768,040
Discounts/concessions (refer note 28)							(195)				0
Total amount raised from general rate							21,651,292				21,768,040
Totals							<u><u>21,651,292</u></u>				<u><u>21,768,040</u></u>

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

25. NET CURRENT ASSETS

Composition of net current assets

	2017 (30 June 2017 Carried Forward) \$	2017 (1 July 2016 Brought Forward) \$	2016 (30 June 2016 Carried Forward) \$
Surplus/(Deficit)	<u>4,173,285</u>	<u>2,858,233</u>	<u>2,858,233</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	8,989,087	8,058,293	8,058,293
Restricted	39,180,611	42,784,559	42,784,559
Receivables			
Rates outstanding	360,323	376,319	376,319
Sundry debtors	2,617,549	2,450,887	2,450,887
GST receivable	88,838	137,187	137,187
Accrued Income	242,165	145,757	145,757
Prepayments	192,683	32,514	32,514
Less Allowance for Doubtful Debts	(725,128)	(633,278)	(633,278)
Inventories			
Consumables	29,336	28,795	28,795
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(2,322,181)	(2,301,453)	(2,301,453)
Accrued interest on debentures	(94,677)	(60,323)	(60,323)
Accrued salaries and wages	(207,602)	(172,540)	(172,540)
Bond Creditors	(1,308,194)	(1,604,273)	(1,604,273)
Income in Advance	(710,494)	(513,064)	(513,064)
Accrued Expenses	(144,754)	(197,983)	(197,983)
Current portion of long term borrowings			
Secured by floating charge	(375,703)	(1,242,550)	(1,242,550)
Provisions			
Provision for sick leave	(262,495)	(255,937)	(255,937)
Provision for annual leave	(1,347,704)	(1,485,336)	(1,485,336)
Provision for long service leave	(1,223,467)	(1,147,333)	(1,147,333)
Unadjusted net current assets	<u>42,978,193</u>	<u>44,400,241</u>	<u>44,400,241</u>
Adjustments			
Less: Reserves - restricted cash	(39,180,611)	(42,784,558)	(42,784,558)
Add: Secured by floating charge	375,703	1,242,550	1,242,550
Adjusted net current assets - surplus/(deficit)	<u>4,173,285</u>	<u>2,858,233</u>	<u>2,858,233</u>

Difference

There was no difference between the surplus/(deficit) 1 July 2016 brought forward position used in the 2017 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2016 audited financial report.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

26. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

No specified area rates were imposed by the City during the year ended 2017.

27. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

No service charges were imposed by the City during the year ended 2017.

28. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2016/17 FINANCIAL YEAR

Waivers or Concessions

**Rate or Fee and
Charge to which
the Waiver or
Concession is Granted**

Rates Written-off
Fees & Charges

Type

**Discount
%**

**Discount
\$**

**Actual
\$**

**Budget
\$**

195

0

6,329

0

6,524

0

**Rate or Fee and
Charge to which
the Waiver or
Concession is Granted**

Rent & Outgoings
In home services

**Circumstances in which
the Waiver or Concession is
Granted and to whom it was
available**

Write Off
Write Off

**Objects of the Waiver
or Concession**
Fees & Charges
Fees & Charges

**Reasons for the Waiver
or Concession**
Uncollectable
Uncollectable

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

29. INTEREST CHARGES AND INSTALMENTS - 2016/17 FINANCIAL YEAR

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	9 September 2016			11.00%
Option Two				
First Instalment	9 September 2016	52.20	0.00%	11.00%
Second Instalment	17 November 2016			11.00%
Third Instalment	19 January 2017			11.00%
Fourth Instalment	23 March 2017			11.00%
			Revenue \$	Budgeted Revenue \$
Interest on unpaid rates			70,255	45,000
Interest on deferred rates instalment plan			4,178	7,000
Charges on instalment plan			148,926	120,000
			<u>223,359</u>	<u>172,000</u>

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

30. FEES & CHARGES	2017	2016
	\$	\$
General purpose funding	210,239	208,872
Law, order, public safety	42,834	40,246
Health	141,003	189,297
Education and welfare	222,508	334,775
Community amenities	153,696	215,092
Recreation and culture	2,804,079	2,744,766
Transport	4,256,135	4,864,916
Economic services	188,587	256,726
Other property and services	4,847,437	3,601,363
	<u>12,866,518</u>	<u>12,456,053</u>

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

31. GRANT REVENUE

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

By Nature or Type:	2017	2016
	\$	\$
Operating grants, subsidies and contributions		
General purpose funding	814,571	292,719
Law, order, public safety	0	15,786
Education and welfare	1,101,918	1,086,550
Community amenities	48,015	2,133
Recreation and culture	82,727	42,803
Transport	165,098	171,105
Economic services	20,775	0
Other property and services	750	2,500
	<u>2,233,854</u>	<u>1,613,596</u>
Non-operating grants, subsidies and contributions		
Recreation and culture	36,364	54,231
Transport	607,036	1,079,769
	<u>643,400</u>	<u>1,134,000</u>

32. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>165</u>	<u>187</u>
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33. ELECTED MEMBERS REMUNERATION

The following fees, expenses and allowances were paid to council members and/or the president.

	2017	2017	2016
	\$	Budget	\$
Meeting Fees	249,260	249,260	264,000
Meeting Attendance Fees - Mayor	30,385	30,385	29,500
Mayoral Allowance	61,800	61,800	60,000
Deputy Mayoral Allowance	15,450	15,450	14,607
Telecommunications allowance	34,800	34,800	39,400
	<u>391,695</u>	<u>391,695</u>	<u>407,507</u>

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

34. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

2017

\$

The total of remuneration paid to KMP of the City during the year are as follows:

Short-term employee benefits	953,143
Post-employment benefits	172,206
Other long-term benefits	22,544
Termination benefits	10,779
	<u>1,158,672</u>

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 at Note 33.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Related Parties

The City's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, 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 City

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

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

34. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

The following transactions occurred with related parties:

	2017
	\$
Associated companies/individuals:	0
Joint venture entities:	0
Amounts outstanding from related parties:	0
Amounts payable to related parties:	30

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

35. MAJOR LAND TRANSACTIONS

2016/17 Financial Year

133 Salvado Road

The city acquired land and buildings at 133 Salvado Road, Wembley in 2012. Since acquisition of this property, investigations on a number of potential options have been conducted and in April 2016 Council resolved to explore options for disposal of this property. At its June 2016 meeting Council resolved to proceed with the disposal of the property and authorised the CEO to call for tenders to appoint a suitably qualified real estate professional to manage the process for the sale.

An Expression of Interest was called to appoint a sales agent but terminated prior to the tender stage in order to resolve various state government planning issues that were identified prior to disposal, which are yet to be resolved.

20 Roydhouse Street (Carter Lane)

The city acquired this property through payment for surrender of long term lease in 2011/12 to allow for redevelopment of the site from its industrial use to a contemporary residential development.

The two larger mixed-use lots were sold via an expression of interest process with sales contracts in place by February 2015.

One of these properties settled at the end of March 2016, the other has been the subject of delayed settlement issues and was subsequently terminated. This property was then made available for sale and a sales contract was executed in September 2017 with settlement expected in January 2019.

The eleven single residential lots were sold by public auction in October 2015 with settlement concluded by March 2016.

592 to 616 Hay Street / 2 Bishop Street

The properties situated at 592 to 616 Hay Street and 2 Bishop Street form part of the city's investment portfolio.

At its April 2016 meeting council resolved in principle to dispose of these properties for its highest market value. In June 2016, Council resolved that should the City proceed with the major land transaction then the CEO be authorised to undertake demolition of these properties (but excluding 592 and 594 Hay Street), remediation if required and apply to the WAPC for subdivision approval for three lots prior to disposal by public auction. In October 2016 Council resolved to dispose of the properties. The buildings were demolished and the property sold at public auction with a settlement date of July 2017.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. MAJOR LAND TRANSACTIONS (Continued)

2015/16 Financial Year

592 to 616 Hay Street / 2 Bishop Street

The properties situated at 592 to 616 Hay Street and 2 Bishop Street form part of the city's investment portfolio. At its April 2016 meeting council resolved in principle to dispose of these properties for its highest market value. In June 2016, Council resolved that should the City proceed with the major land transaction then the CEO be authorised to undertake demolition of these properties (but excluding 592 and 594 Hay Street, remediation if required and apply to the WAPC for subdivision approval for three lots prior to disposal by public auction. In October 2016 Council resolved to dispose of the properties.

133 Salvado Road

The city acquired land and buildings at 133 Salvado Road, Wembley in 2012. Since acquisition of this property, investigations on a number of potential options have been conducted and in April 2016 Council resolved to explore options for disposal of this property. At its June 2016 meeting Council resolved to proceed with the disposal of the property and authorised the CEO to call for tenders to appoint a suitably qualified real estate professional to manage the process for the sale. At the time of preparing this report an Expression of Interest has been called and are currently under consideration with the sale process expected to occur in 2017.

20 Roydhouse Street (Carter Lane)

The city acquired this property through payment for surrender of long term lease in 2011/12 to allow for redevelopment of the site from its industrial use to a contemporary residential development.

Redevelopment was physically completed in 2015/16 at a cost to date of \$4,329,000 (still awaiting final invoices).

The two larger mixed-use lots were sold via an expression of interest process with sales contracts in place by February 2015.

One of these properties settled at the end of March 2016, the other has been the subject of delayed settlement issues.

The eleven single residential lots were sold by public auction in October 2015 with settlement concluded by March 2016.

The redevelopment of this precinct allows for the provision of community and public infrastructure whilst the release of land for development has provided a capital return from land sales. There have been additional positive social and economic benefits to the community through improved pedestrian safety, increased green space, proper vehicular access and community infrastructure.

36. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The City did not participate in any trading undertakings or major trading undertakings during the 2016/2017 financial year.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

37. FINANCIAL RISK MANAGEMENT

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

The City 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 City held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	48,169,698	50,842,852	48,169,698	50,842,852
Receivables	2,924,115	2,667,638	2,924,115	2,667,638
	<u>51,093,813</u>	<u>53,510,490</u>	<u>51,093,813</u>	<u>53,510,490</u>
Financial liabilities				
Payables	4,787,902	4,849,636	4,787,902	4,849,636
Borrowings	7,162,194	8,598,826	8,208,804	6,884,373
	<u>11,950,096</u>	<u>13,448,462</u>	<u>12,996,706</u>	<u>11,734,009</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.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The City'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 investments portfolio with the assistance of independent advisers (where applicable). The city 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.

Cash is also 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 City.

The City manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

	2017	2016
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	481,697	508,429
- Statement of Comprehensive Income	481,697	508,429

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible market movements.

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

37. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

The City'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 City 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 City to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. The City 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 City 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 City's credit risk at balance date was:

	2017	2016
Percentage of rates and annual charges		
- Current	79%	66%
- Overdue	21%	34%
Percentage of other receivables		
- Current	27%	19%
- Overdue	73%	81%

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

37. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
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 City 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 City'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 \$
<u>2017</u>					
Payables	4,787,902	0	0	4,787,902	4,787,902
Borrowings	728,645	2,693,070	7,058,266	10,479,981	7,162,194
	<u>5,516,547</u>	<u>2,693,070</u>	<u>7,058,266</u>	<u>15,267,883</u>	<u>11,950,096</u>
<u>2016</u>					
Payables	4,849,636	0	0	4,849,636	4,849,636
Borrowings	1,092,883	3,087,928	8,335,817	12,516,628	8,598,826
	<u>5,942,519</u>	<u>3,087,928</u>	<u>8,335,817</u>	<u>17,366,264</u>	<u>13,448,462</u>

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

37. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The City 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:

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Debentures	0	0	300,000	0	0	6,862,194	7,162,194	4.85%
Weighted average								
Effective interest rate			2.39%			4.95%		
Year ended 30 June 2016								
Borrowings								
Fixed rate								
Debentures	0	0	0	0	0	8,598,826	8,598,826	4.81%
Weighted average								
Effective interest rate						4.81%		

CITY OF SUBIACO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

38. LOSS ON FIXED ASSETS TRANSFERRED TO THE CITY OF PERTH THROUGH BOUNDARY ADJUSTMENT

The City of Perth Act came into effect on 1st July 2016 and resulted in a change of the City of Subiaco boundaries. A total of 1347 rateable properties were transferred to the City of Perth along with infrastructure and other assets situated within that area.

The City of Subiaco has included in its Statement of Comprehensive Income a loss upon the transfer of fixed assets to the City of Perth as listed below:

	\$
FIXED ASSETS	
Buildings	(103,746)
Infrastructure	(13,035,095)
Plant & Equipment	(95,187)
Total loss on transfer of Fixed Assets	<u>(13,234,028)</u>
 LOSS ON NET ASSETS TRANSFERRED TO CITY OF PERTH:	 <u><u>(13,234,028)</u></u>

INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE CITY OF SUBIACO

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Opinion on the Audit of the Financial Report

We have audited the accompanying financial report of the City of Subiaco (the City), which comprises the statement of financial position as at 30 June 2017, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

In our opinion, the financial report of the City of Subiaco is in accordance with *the Local Government Act 1995 (as amended)* and the *Local Government (Financial Management) Regulations 1996 (as amended)*, including:

- i. giving a true and fair view of the City's financial position as at 30 June 2017 and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations).

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 City in accordance with the 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.

Report on Other Legal and Regulatory Requirements

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the City.
- b) No matters indicating non-compliance with Part 6 of the *Local Government Act 1995 (as amended)*, the *Local Government (Financial Management) Regulations 1996 (as amended)* or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 66 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not supported by:
 - i. verifiable information; and
 - ii. reasonable assumptions.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE CITY OF SUBIACO (CONTINUED)****Other Information**

Management is responsible for the other information. The other information comprises the information included in the City's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

Responsibilities of Management and Council for the Financial Report

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

In preparing the financial report, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

The Council is responsible for overseeing the City'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 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

MOORE STEPHENS
CHARTERED ACCOUNTANTS



WEN-SHIEN CHAI
PARTNER

Date: 6th November 2017
Perth, WA

CITY OF SUBIACO
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2017

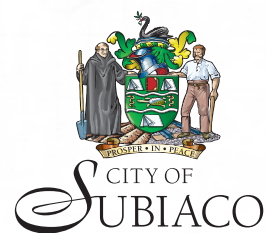
RATIO INFORMATION

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report.

	2017	2016	2015
Asset consumption ratio	0.90	0.95	0.67
Asset renewal funding ratio	0.61	0.62	1.10

The above ratios are calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$



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