



# General Purpose Financial Statements

Annual Report  
2021/22

The City of Sydney acknowledges the Gadigal of the  
Eora Nation as the Traditional Custodians of our local area.

**CITY OF SYDNEY** 

The Council of the City of Sydney acknowledges the Gadigal of the Eora Nation as the Traditional Custodians of our local area. We acknowledge Elders past and present and celebrate the diversity of Aboriginal and Torres Strait Islander peoples and their ongoing cultures and connections to Country.

**General Purpose Financial Statements cover image:** New Year's Eve 2021 fireworks and light show. (Photo by Morris McLennan/City of Sydney)

**Special Purpose Financial Statements cover image:** Summer Streets event at Crown Street, Surry Hills Sydney February 2022. (Photo by Katherine Griffiths/City of Sydney)

**Special Schedules cover image:** Shannon Reserve Playground, Surry Hills (Photo by Renee Nowytarger/City of Sydney)

# Council of the City of Sydney

## General Purpose Financial Statements

for the year ended 30 June 2022

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### Overview

City of Sydney is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

456 Kent Street  
Sydney NSW 2000

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

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

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

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



# Council of the City of Sydney

## General Purpose Financial Statements

for the year ended 30 June 2022

## Understanding Council's Financial Statements

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### Introduction

Each year NSW local governments are required to present audited financial statements to their council and community.

### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2022.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

### About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

#### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

#### 2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

#### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

#### 4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

#### 5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

### About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

### Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

# Council of the City of Sydney

## General Purpose Financial Statements

for the year ended 30 June 2022

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

The attached general purpose financial statements have been prepared in accordance with:


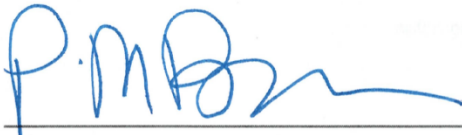

- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 31 October 2022.

  
\_\_\_\_\_  
Clover Moore  
Lord Mayor  
31 October 2022  
\_\_\_\_\_  
Jess Scully  
Councillor  
31 October 2022  
\_\_\_\_\_  
Monica Barone  
Chief Executive Officer  
31 October 2022  
\_\_\_\_\_  
Bill Carter  
Responsible Accounting Officer  
31 October 2022

# Council of the City of Sydney

## Income Statement

for the year ended 30 June 2022

<i>Original unaudited budget</i>				<i>Actual</i>	<i>Actual</i>
<b>2022</b>	<b>\$ '000</b>		Notes	<b>2022</b>	<b>2021</b>
	<b>Income from continuing operations</b>				
378,163	Rates and annual charges	B2-1		<b>376,728</b>	369,374
117,060	User charges and fees	B2-2		<b>95,513</b>	106,687
39,930	Other revenues	B2-3		<b>23,215</b>	75,790
18,559	Grants and contributions provided for operating purposes	B2-4		<b>19,223</b>	24,071
37,510	Grants and contributions provided for capital purposes	B2-4		<b>68,983</b>	144,701
2,399	Interest and investment income	B2-5		<b>5,189</b>	5,501
70,805	Other income	B2-6		<b>76,621</b>	100,971
–	Net gain from the disposal of assets	B4-1		<b>11,029</b>	20,740
<b>664,426</b>	<b>Total income from continuing operations</b>			<b>676,501</b>	847,835
	<b>Expenses from continuing operations</b>				
247,704	Employee benefits and on-costs	B3-1		<b>238,234</b>	231,358
215,470	Materials and services	B3-2		<b>225,485</b>	251,715
–	Borrowing costs	B3-3		<b>228</b>	254
113,860	Depreciation, amortisation and impairment of non-financial assets	B3-4		<b>108,153</b>	122,011
60,068	Other expenses	B3-5		<b>39,451</b>	46,871
<b>637,102</b>	<b>Total expenses from continuing operations</b>			<b>611,551</b>	652,209
<b>27,324</b>	<b>Operating result from continuing operations</b>			<b>64,950</b>	195,626
<b>27,324</b>	<b>Net operating result for the year attributable to Council</b>			<b>64,950</b>	195,626
	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>				
<b>(10,188)</b>				<b>(4,033)</b>	50,925

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

## Council of the City of Sydney

### Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
<b>Net operating result for the year – from Income Statement</b>		<b>64,950</b>	<b>195,626</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	<b>235,289</b>	(189,338)
Movement in Trust Assets reserve - Crown land revaluation <sup>1</sup>	C1-8	<b>–</b>	(1,855,827)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>235,289</b>	(2,045,165)
<b>Total comprehensive income for the year attributable to Council</b>		<b>300,239</b>	(1,849,539)

(<sup>1</sup>) In 2020/21, Council updated its valuation methodology in respect of Crown and Community Land, incorporating input from external valuers (previously generalised valuation information from the Valuer General was utilised in valuations of these classes).

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

# Council of the City of Sydney

## Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	63,790	51,051
Investments	C1-2	483,300	417,600
Receivables	C1-4	45,633	57,858
Inventories	C1-5	989	989
Contract assets	C1-6	23,560	17,195
Other	C1-11	7,828	6,997
Non-current assets classified as 'held for sale'	C1-7	26,837	35,599
<b>Total current assets</b>		<b>651,937</b>	<b>587,289</b>
<b>Non-current assets</b>			
Investments	C1-2	167,950	186,604
Receivables	C1-4	22,735	31,248
Infrastructure, property, plant and equipment (IPPE)	C1-8	11,773,741	11,470,866
Investment property	C1-9	399,172	384,259
Intangible assets	C1-10	36,144	52,550
Right of use assets	C2-1	10,961	12,551
Other	C1-11	98	112
<b>Total non-current assets</b>		<b>12,410,801</b>	<b>12,138,190</b>
<b>Total assets</b>		<b>13,062,738</b>	<b>12,725,479</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	104,375	104,047
Contract liabilities	C3-2	30,040	27,467
Lease liabilities	C2-1	234	203
Employee benefit provisions	C3-4	61,279	63,717
Provisions	C3-5	19,798	9,927
<b>Total current liabilities</b>		<b>215,726</b>	<b>205,361</b>
<b>Non-current liabilities</b>			
Contract liabilities	C3-2	70,437	46,070
Lease liabilities	C2-1	11,522	12,960
Employee benefit provisions	C3-4	4,142	5,104
Provisions	C3-5	27,266	22,578
<b>Total non-current liabilities</b>		<b>113,367</b>	<b>86,712</b>
<b>Total liabilities</b>		<b>329,093</b>	<b>292,073</b>
<b>Net assets</b>		<b>12,733,645</b>	<b>12,433,406</b>
<b>EQUITY</b>			
Accumulated surplus		4,257,500	4,192,250
IPPE revaluation reserve	C4-1	5,479,514	5,227,265
Trust Assets Reserve	C4-1	2,996,631	3,013,891
<b>Total equity</b>		<b>12,733,645</b>	<b>12,433,406</b>

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



## Council of the City of Sydney

## Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022				2021			
		Accumulated surplus	IPPE revaluation reserve	Trust assets reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Trust assets reserve	Total equity
Opening balance at 1 July		4,192,250	5,227,265	3,013,891	12,433,406	3,996,624	5,414,641	4,871,680	14,282,945
<b>Opening balance</b>		<b>4,192,250</b>	<b>5,227,265</b>	<b>3,013,891</b>	<b>12,433,406</b>	<b>3,996,624</b>	<b>5,414,641</b>	<b>4,871,680</b>	<b>14,282,945</b>
Net operating result for the year		64,950	–	–	64,950	195,626	–	–	195,626
<b>Net operating result for the year</b>		<b>64,950</b>	<b>–</b>	<b>–</b>	<b>64,950</b>	<b>195,626</b>	<b>–</b>	<b>–</b>	<b>195,626</b>
<b>Other comprehensive income</b>									
Gain (loss) on revaluation of infrastructure, property, plant and equipment <sup>1</sup>	C1-8	–	235,289	–	235,289	–	(189,338)	(1,855,827)	(2,045,165)
<b>Other comprehensive income</b>		<b>–</b>	<b>235,289</b>	<b>–</b>	<b>235,289</b>	<b>–</b>	<b>(189,338)</b>	<b>(1,855,827)</b>	<b>(2,045,165)</b>
<b>Total comprehensive income</b>		<b>64,950</b>	<b>235,289</b>	<b>–</b>	<b>300,239</b>	<b>195,626</b>	<b>(189,338)</b>	<b>(1,855,827)</b>	<b>(1,849,539)</b>
Transfers between equity items <sup>2</sup>		300	16,960	(17,260)	–	–	1,962	(1,962)	–
<b>Closing balance at 30 June</b>		<b>4,257,500</b>	<b>5,479,514</b>	<b>2,996,631</b>	<b>12,733,645</b>	<b>4,192,250</b>	<b>5,227,265</b>	<b>3,013,891</b>	<b>12,433,406</b>

(1) In 2020/21, Council updated its valuation methodology in respect of Crown and Community Land, incorporating input from external valuers (previously generalised valuation information from the Valuer General was utilised in valuations of these classes).

(2) Council accepted transfer of two parcels of land from the NSW Government that were previously held as Crown/Third Party Owned Land. Upon transfer, Council has also transferred the asset value between equity classifications, to reflect the change in ownership status

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

## Council of the City of Sydney

## Statement of Cash Flows

for the year ended 30 June 2022

<i>Original unaudited budget</i>			<i>Actual</i>	<i>Actual</i>
<b>2022</b>	<b>\$ '000</b>	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
378,163	Rates and annual charges		<b>377,325</b>	370,105
115,890	User charges and fees		<b>110,625</b>	116,270
2,399	Interest received		<b>5,866</b>	4,662
54,293	Grants and contributions		<b>124,822</b>	87,989
–	Bonds, deposits and retentions received		<b>9,070</b>	19,398
111,285	Other receipts from Operating Activities		<b>114,913</b>	148,987
<b>Payments:</b>				
(247,705)	Payments to employees		<b>(232,192)</b>	(230,936)
(194,470)	Payments for materials and services		<b>(276,303)</b>	(308,101)
–	Borrowing costs		<b>(228)</b>	(254)
–	Bonds, deposits and retentions refunded		<b>(11,907)</b>	(12,433)
(57,247)	Other payments for Operating Activities		<b>(42,400)</b>	(45,237)
162,608	<b>Net cash provided by operating activities</b>	G1-1(a)	<b>179,591</b>	150,450
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
224,928	Sale/Redemption of investment securities - Floating Rate Notes		<b>19,600</b>	83,250
–	Redemption of term deposits		<b>556,000</b>	496,000
23,220	Sale of infrastructure, property, plant and equipment and non-current assets held for sale		<b>69,303</b>	101,361
34,980	Sale of intangible assets		<b>–</b>	31,671
<b>Payments:</b>				
–	Purchase of investments - Floating Rate Notes		<b>(32,649)</b>	(17,100)
–	Acquisition of term deposits		<b>(590,000)</b>	(657,000)
(2,517)	Payments for investment property - acquisition and works		<b>(939)</b>	(1,207)
(441,090)	Payments for IPPE		<b>(178,774)</b>	(246,413)
(18,292)	Purchase of intangible assets		<b>(9,170)</b>	(13,209)
(178,771)	<b>Net cash flows from investing activities</b>		<b>(166,629)</b>	(222,647)
<b>Cash flows from financing activities</b>				
<b>Payments:</b>				
–	Principal component of lease payments		<b>(223)</b>	(188)
–	<b>Net cash flows from financing activities</b>		<b>(223)</b>	(188)
(16,163)	<b>Net change in cash and cash equivalents</b>		<b>12,739</b>	(72,385)
37,160	Cash and cash equivalents at beginning of year		<b>51,051</b>	123,436
20,997	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>63,790</b>	51,051
292,212	plus: Investments on hand at end of year	C1-2	<b>651,250</b>	604,204
313,209	<b>Total cash, cash equivalents and investments</b>		<b>715,040</b>	655,255

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Council of the City of Sydney

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## A About Council and these financial statements

### A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 31 October 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes and are clearly marked in the following:

- Income statement
- Statement of cash flows
- Note B5-1 – Material budget variations

#### **Historical cost convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain infrastructure, property, plant and equipment and investment property.

#### **Significant accounting estimates and judgements**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

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

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of investment properties – refer Note C1-9
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- (iii) employee benefit provisions – refer Note C3-4
- (iv) estimated former depot remediation provisions – refer Note C3-5
- (v) estimated rental waivers provision – refer Note C3-5
- (vi) estimated workers compensation self insurance provision – refer Note C3-5.

#### **Significant judgements in applying the Council's accounting policies**

- i. Impairment of receivables – refer Note C1-4 and E1-1.
- ii. Determination of whether performance obligations are sufficiently specific and accordingly whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and/or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.



## A1-1 Basis of preparation (continued)

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### Monies and other assets received by Council

#### The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund consists of cash and other assets associated with general purpose operations only.

#### The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these reports.

The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

- Sale of Land for Unpaid Rates (residual amounts after outstanding sums recovered)
- Bequests – Trust
- QVB Replacement Fund
- Sydney Metropolitan Mayors Association

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

#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

Council utilises volunteers in the provision of some services. Whilst the contributions of volunteers are a valued aspect of certain services provided to the community, the financial value of these contributions is not considered material, and furthermore, would not be otherwise purchased. Accordingly, volunteer services are not recognised in these financial statements.

#### Covid-19 Pandemic

On 11 March 2020, the World Health Organisation declared Coronavirus (Covid-19) a global pandemic, and its impacts on the health of the Australian community and economy have become acute. In late March 2020, Council resolved to implement a number of economic stimulus and recovery measures, including fees and charges waivers, additional grant and donation expenditure, and potential 'fast tracked' capital works. In addition, Council has sought to apply the *National Code of Conduct for commercial tenancies* in respect of property leases, which incorporates rent waivers and deferrals for eligible tenants.

These statements reflect the continuing financial impact of the Covid-19 pandemic, incorporating the above measures to the extent incurred, along with additional impacts to income resulting from financial hardship. Estimates of expected credit losses in respect of receivables have been updated to reflect impacts on debt collection experienced over the course of the pandemic to date. The market valuations of Council's investment properties likewise reflect rent waivers and deferrals, however to date, there is limited evidence of the pandemic having a substantial impact upon commercial property values. For Infrastructure, Property, Plant and Equipment assets, Council's strategy is chiefly to realise 'value in use' for these assets, and accordingly, no financial impact has been recognised at this time in respect of Covid-19. This position will be continually re-assessed in future accounting periods, and to the extent that any impacts can be reliably estimated, asset values will be adjusted appropriately in these statements at that time.

## A1-1 Basis of preparation (continued)

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### New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2022 reporting period.

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

Council's assessment of these new standards and interpretations (where they have been deemed as having a potentially material impact on Council's future financial performance, financial position and cash flows) are set out below:

#### **AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current**

#### **AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date**

This Standard amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

For example the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

Council does not expect any material impact from the above amendments and to its classification of liabilities as current or non-current. This position will be reviewed closer to the adoption date of the standard.

This standard has an effective date for the 30 June 2024 reporting period.

#### **AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments**

This Standard amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability,
- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making; and
- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

Council does not expect any material impact from the above amendments. This position will be reviewed closer to the adoption date of the standard.

This standard has an effective date for the 30 June 2023 reporting period.

## A1-1 Basis of preparation (continued)

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### New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2021:

- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*
- AASB 2020-9 *Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments*
- AASB 2020-7 *Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions: Tier 2 disclosures [AASB 16 and AASB 1060]*
- AASB 2021-3 *Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions beyond 30 June 2021*
- AASB 2021-1 *Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities*

None of these standards had a significant impact on Council's financial statements for the year ended 30 June 2022.

## B Financial Performance

### B1 Functions or activities

#### B1-1 Income, expenses and assets - by function/activity

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

\$ '000	<i>Income</i>		<i>Expenses</i>		<i>Operating result</i>		<i>Grants and contributions</i>		<i>Carrying amount of assets</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
<b>Functions or activities</b>										
Globally competitive and innovative city	<b>33,641</b>	35,430	<b>43,327</b>	43,455	<b>(9,686)</b>	(8,025)	<b>9,342</b>	2,091	<b>3,479</b>	3,646
Leading environmental performer	<b>1,836</b>	1,944	<b>82,278</b>	83,745	<b>(80,442)</b>	(81,801)	<b>920</b>	1,479	<b>367,175</b>	321,546
Integrated transport for a connected city	<b>78,539</b>	84,904	<b>66,760</b>	79,141	<b>11,779</b>	5,763	<b>24,324</b>	21,469	<b>1,541,905</b>	1,443,174
City for walking and cycling	<b>17,754</b>	103,820	<b>1,044</b>	2,296	<b>16,710</b>	101,524	<b>13,519</b>	97,164	<b>78,546</b>	71,948
Lively and engaging city centre	<b>–</b>	–	<b>1,220</b>	1,415	<b>(1,220)</b>	(1,415)	<b>–</b>	–	<b>489</b>	1,544
Resilient and inclusive local communities	<b>45,422</b>	52,439	<b>136,880</b>	138,257	<b>(91,458)</b>	(85,818)	<b>28,878</b>	36,072	<b>6,305,329</b>	6,263,257
Cultural and creative city	<b>1,349</b>	1,543	<b>6,783</b>	6,040	<b>(5,434)</b>	(4,497)	<b>200</b>	1,321	<b>220</b>	169
Housing for a diverse community	<b>–</b>	–	<b>2,213</b>	6,131	<b>(2,213)</b>	(6,131)	<b>–</b>	–	<b>–</b>	–
Sustainable development, renewal and design	<b>16,523</b>	18,277	<b>40,772</b>	39,101	<b>(24,249)</b>	(20,824)	<b>75</b>	366	<b>8,462</b>	8,331
Implementation through effective governance and partnerships	<b>154,580</b>	228,687	<b>230,274</b>	252,628	<b>(75,694)</b>	(23,941)	<b>921</b>	1,699	<b>4,757,133</b>	4,611,864
General purpose income	<b>326,857</b>	320,791	<b>–</b>	–	<b>326,857</b>	320,791	<b>10,027</b>	7,111	<b>–</b>	–
<b>Total functions and activities</b>	<b>676,501</b>	<b>847,835</b>	<b>611,551</b>	<b>652,209</b>	<b>64,950</b>	<b>195,626</b>	<b>88,206</b>	<b>168,772</b>	<b>13,062,738</b>	<b>12,725,479</b>

## B1-2 Components of functions or activities

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Details relating to the Council's functions or activities as reported in B1-1 are as follows:

### Globally competitive and innovative city

Activities include economic development, cultural events, tourism as well as other factors contributing to a global city that are not included under other activities, such as lifestyle, cultural diversity, adequate transport and affordable housing.

### Leading environmental performer

Activities comprise ecologically sustainable development including environmental projects and program development, cleansing and waste services, drainage and recycling.

### Integrated transport for a connected city

Activities comprise advocacy for the State and Federal Governments to invest in a high quality world-class transport system that is well planned, efficient and integrated as an essential cornerstone of sustainable development. Additional services include planning and transport management, road and streetscape maintenance, inspection and parking.

### City for walking and cycling

Activities include providing alternative, active and sustainable means of transport to provide a bicycle-friendly environment and a pedestrian plan based on public space life studies. Activities are aimed at improving health and reducing greenhouse emissions and road congestion for the City.

### Lively and engaging city centre

Activities include the provision of more safe and attractive public spaces for people to enjoy themselves and to create more activities that enliven the City's streets and public spaces.

### Resilient and inclusive local communities

Activities comprise planning activities, economic development, and the provision of parks and recreation areas for both local residents and daily visitors. Responsibilities include community development interaction, building strong and positive relationships and partnerships with community organisations and the provision of community facilities.

### Cultural and creative city

Activities comprise the provision of spaces for artists to work and show their wares, the use of public domain to make art more accessible to the public and the recognition and celebration of the traditional and living Aboriginal and Torres Strait Island culture.

### Housing for a diverse community

Activities include planning and facilitating partnerships and using planning controls to identify the character of the villages and provide guidance on what developments should look like. Planning controls are also used to guarantee a percentage of affordable housing units in large developments where relevant. Support is also given to State and Federal Government initiatives to expand affordable housing opportunities.

### Sustainable development, renewal and design

Activities comprise the use of planning and regulatory powers to set controls and targets for renewal and ensure that residential and commercial development is appropriate to its broader setting.

### Implementation through effective governance and partnerships

Activities comprise a commitment to work in partnership with government, business and community and to be open and accountable to the community that is served. The process includes aligning corporate planning and organisational structure through effective governance procedures in support of all activities.



## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2022	2021
<b>Ordinary rates</b>		
Residential	81,684	78,853
Business	232,832	231,003
Less: pensioner rebates (mandatory)	(413)	(416)
Less: pensioner rebates (Council policy)	(1,800)	(1,795)
<b>Rates levied to ratepayers</b>	<b>312,303</b>	<b>307,645</b>
Pensioner rate subsidies received	374	363
<b>Total ordinary rates</b>	<b>312,677</b>	<b>308,008</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	63,278	60,600
Stormwater management services	2,133	2,119
Less: pensioner rebates (mandatory)	(258)	(260)
Less: pensioner rebates (Council policy)	(1,102)	(1,093)
<b>Annual charges levied</b>	<b>64,051</b>	<b>61,366</b>
<b>Total annual charges</b>	<b>64,051</b>	<b>61,366</b>
<b>Total rates and annual charges</b>	<b>376,728</b>	<b>369,374</b>

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

#### Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

## B2-2 User charges and fees

<b>\$ '000</b>	<i>Timing</i>	<b>2022</b>	<b>2021</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation	2	<b>16,378</b>	18,692
Private works – section 67	2	<b>5,023</b>	5,367
Health inspections	2	<b>1,079</b>	209
<b>Total fees and charges – statutory/regulatory</b>		<b>22,480</b>	24,268
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Child care	2	<b>1,039</b>	1,169
Advertising space income	2	<b>3,750</b>	6,406
Parking meter income	2	<b>28,185</b>	35,179
Parking station income	2	<b>7,274</b>	7,241
Recreation facilities hire	2	<b>12,579</b>	12,607
Venue hire	2	<b>2,697</b>	2,192
Workzone and filming fees	2	<b>12,875</b>	14,016
Other	2	<b>4,634</b>	3,609
<b>Total fees and charges – other</b>		<b>73,033</b>	82,419
<b>Total other user charges and fees</b>		<b>95,513</b>	106,687
<b>Total user charges and fees</b>		<b>95,513</b>	106,687
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		<b>95,513</b>	106,687
<b>Total user charges and fees</b>		<b>95,513</b>	106,687

### Accounting policy

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as membership fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

## B2-3 Other revenues

<b>\$ '000</b>	<i>Timing</i>	<b>2022</b>	<b>2021</b>
Award of heritage floor space	2	–	44,064
Ex gratia rates	2	<b>876</b>	694
Fines	2	<b>20,864</b>	30,272
Revenue from contractual claims	2	–	48
Sponsorship and donations	2	<b>205</b>	27
Other	2	<b>1,270</b>	685
<b>Total other revenue</b>		<b>23,215</b>	<b>75,790</b>

### Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	<b>23,215</b>	75,790
<b>Total other revenue</b>	<b>23,215</b>	<b>75,790</b>

### Accounting policy for other revenue

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

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

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

## B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	2	6,519	5,585	–	–
Financial assistance – local roads component	2	1,754	1,526	–	–
<b>Amount recognised as income during current year</b>		<b>8,273</b>	<b>7,111</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
<b>Previously specific grants:</b>					
Child care	2	2,475	2,723	–	–
Environmental programs	1	111	517	580	246
Library	2	718	684	–	–
Community and recreation	1	3,727	7,303	–	24
Transport (other roads and bridges funding)	1	827	2,762	5,447	14,760
<b>Previously contributions:</b>					
External contributions to capital projects	2	–	–	3,284	715
Other contributions	2	3,092	2,971	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>10,950</b>	<b>16,960</b>	<b>9,311</b>	<b>15,745</b>
<b>Non-cash contributions</b>					
Land dedications	2	–	–	5,950	9,617
Asset transfers arising from Sydney Light Rail project	2	–	–	–	78,396
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>5,950</b>	<b>88,013</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>10,950</b>	<b>16,960</b>	<b>15,261</b>	<b>103,758</b>
<b>Total grants and non-developer contributions</b>		<b>19,223</b>	<b>24,071</b>	<b>15,261</b>	<b>103,758</b>
<b>Comprising:</b>					
– Commonwealth funding		10,115	9,448	537	6,705
– State funding		6,015	11,652	5,490	8,324
– Other funding		3,093	2,971	9,234	88,729
		<b>19,223</b>	<b>24,071</b>	<b>15,261</b>	<b>103,758</b>

## Developer contributions

### Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):

#### Cash contributions

S 7.4 – contributions using planning agreements	2	–	–	25,114	1,361
S 7.11 – contributions towards amenities/services	2	–	–	4,874	2,803
S 7.12 – fixed development consent levies	2	–	–	7,138	–
S 61 – fixed development consent levies	2	–	–	14,044	18,044
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>51,170</b>	<b>22,208</b>

## B2-4 Grants and contributions (continued)

<b>\$ '000</b>	<i>Timing</i>	<b>Operating 2022</b>	<b>Operating 2021</b>	<b>Capital 2022</b>	<b>Capital 2021</b>
<b>Non-cash contributions</b>					
S 7.4 – contributions using planning agreements	2	–	–	<b>2,552</b>	16,616
S 7.11 – contributions towards amenities/services	2	–	–	–	2,119
<b>Total developer contributions non-cash</b>		<b>–</b>	<b>–</b>	<b>2,552</b>	<b>18,735</b>
<b>Total contributions</b>		<b>–</b>	<b>–</b>	<b>53,722</b>	<b>40,943</b>
<b>Total grants and contributions</b>		<b>19,223</b>	<b>24,071</b>	<b>68,983</b>	<b>144,701</b>
<b>Timing of revenue recognition for grants and contributions</b>					
Grants and contributions recognised over time (1)		<b>4,665</b>	5,757	<b>6,027</b>	–
Grants and contributions recognised at a point in time (2)		<b>14,558</b>	18,314	<b>62,956</b>	144,701
<b>Total grants and contributions</b>		<b>19,223</b>	<b>24,071</b>	<b>68,983</b>	<b>144,701</b>

## Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

<b>\$ '000</b>	<b>Operating 2022</b>	<b>Operating 2021</b>	<b>Capital 2022</b>	<b>Capital 2021</b>
<b>Grants</b>				
Unspent funds at 1 July	<b>2,384</b>	153	<b>898</b>	–
<b>Add:</b> Funds received and not recognised as revenue in the current year	<b>1,681</b>	2,384	<b>1,457</b>	898
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	<b>(2,384)</b>	(153)	<b>(898)</b>	–
<b>Unspent funds at 30 June</b>	<b>1,681</b>	<b>2,384</b>	<b>1,457</b>	<b>898</b>
<b>Contributions <sup>1</sup></b>				
Unspent cash contributions and future works receivable at 1 July	–	–	<b>77,806</b>	130,499
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	<b>13,683</b>	14,462
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	<b>(24,727)</b>	(67,155)
<b>Unspent contributions at 30 June</b>	<b>–</b>	<b>–</b>	<b>66,762</b>	<b>77,806</b>

(1) Council recognises revenue in respect of works in kind contributions where the agreed value of the works is secured via lodgement of a bank guarantee and/or cash security deposit. The delivery of these future works can extend over multiple accounting periods. Upon completion and acceptance of works by Council, the outstanding contribution debtor is cleared, and assets recognised as Infrastructure, Property Plant and Equipment. Works not secured via guarantee or deposit are recognised as revenue upon transfer to Council.



## B2-4 Grants and contributions (continued)

### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an enforceable agreement containing sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

The performance obligations vary according to the agreement but include provision of public events, planting of trees and delivery of training courses for members of the public. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

#### Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

#### Developer contributions

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979* (EP&A Act).

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required, but Council may apply contributions according to the priorities established in work schedules for the contribution plan.

#### Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

## B2-5 Interest and investment income

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	<b>519</b>	274
– Cash and investments	<b>4,673</b>	5,230
<b>Amortisation of premiums and discounts</b>		
– Financial assets at amortised cost	<b>(3)</b>	(3)
<b>Total interest and investment income (losses)</b>	<b>5,189</b>	<b>5,501</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	<b>520</b>	275
General Council cash and investments	<b>2,232</b>	2,461
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Planning agreements/bonus floorspace levy	<b>254</b>	241
Domestic waste management operations	<b>258</b>	269
Specific Purpose Unexpended Grants	<b>23</b>	14
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	<b>1,902</b>	2,241
<b>Total interest and investment income</b>	<b>5,189</b>	<b>5,501</b>

### Accounting policy

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

Dividends (if applicable) are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

**B2-6 Other income**

<b>\$ '000</b>	Notes	<b>2022</b>	<b>2021</b>
<b>Fair value increment on investment properties</b>			
Fair value increment on investment properties		<b>13,980</b>	39,004
<b>Total fair value increment on investment properties</b>	C1-9	<b>13,980</b>	<b>39,004</b>
<b>Rental income</b>			
<b>Investment properties</b>			
Lease income - investment properties		<b>17,758</b>	18,865
<b>Total investment properties lease income</b>		<b>17,758</b>	<b>18,865</b>
<b>Other commercial property income</b>			
Lease income from Council properties not classified as Investment Property under AASB 140		<b>32,953</b>	33,430
Lease income relating to variable lease payments not dependent on an index or a rate		<b>11,930</b>	9,672
<b>Total other lease income</b>		<b>44,883</b>	<b>43,102</b>
<b>Total rental income</b>	C2-2	<b>62,641</b>	<b>61,967</b>
<b>Total other income</b>		<b>76,621</b>	<b>100,971</b>

## B3 Costs of providing services

### B3-1 Employee benefits and on-costs

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
Salaries and wages	<b>191,869</b>	185,735
Travel expenses	<b>64</b>	68
Employee leave entitlements (ELE)	<b>16,439</b>	20,290
Superannuation – defined contribution plans	<b>16,819</b>	15,379
Superannuation – defined benefit plans	<b>2,279</b>	3,811
Workers' compensation insurance	<b>14,157</b>	10,363
Fringe benefit tax (FBT)	<b>301</b>	480
Training costs (other than salaries and wages)	<b>890</b>	653
Other	<b>1,366</b>	1,019
<b>Total employee costs</b>	<b>244,184</b>	<b>237,798</b>
Less: capitalised costs	<b>(5,950)</b>	(6,440)
<b>Total employee costs expensed</b>	<b>238,234</b>	<b>231,358</b>
Number of 'full-time equivalent' employees (FTE) at year end	<b>1,723</b>	1,738

#### Accounting policy

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

#### *Retirement benefit obligations*

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

#### *Superannuation plans*

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note E3-1 for more information.

## B3-2 Materials and services

\$ '000	Notes	2022	2021
Advertising		1,106	1,519
Asset maintenance and minor purchases		7,741	8,692
Audit Fees	F2-1	236	217
Bank charges		1,623	1,866
Books and periodicals		102	114
<b>Contractor and consultancy costs:</b>			
– Building and facilities management		48,825	41,513
– City infrastructure management		8,091	13,499
– Consultancies		3,093	2,804
– Parks management		20,104	20,447
– Project costs and minor contracts		35,865	22,777
– Waste disposal, recycling and graffiti removal		35,060	36,624
Election expenses		1,183	–
Computing costs		12,363	10,853
Councillor and Mayoral fees and associated expenses	F1-2	797	836
Event and project costs		8,894	5,453
Insurance		5,004	4,122
Land tax and water rates		1,342	1,803
Parking enforcement – payment to NSW government		586	2,294
Property related expenditure - other		2,222	1,929
Postage and couriers		1,210	1,226
Printing and stationery		1,017	1,298
Public domain enhancement contributions		5,043	5,243
Raw materials and consumables		4,493	4,593
Research and development		269	285
Security		2,107	2,625
Storage		689	657
Street lighting		3,852	4,244
Telephone and communications		2,278	2,486
Utilities		5,267	4,632
<b>Legal expenses:</b>			
– Legal expenses: planning and development		468	944
– Legal expenses: other		1,219	995
<b>Lease expenses:</b>			
– Expenses from leases of low value assets		69	69
– Variable lease expense relating to usage		441	445
Other materials and services		3,273	4,116
Contribution to Transport for NSW – Light Rail CBD to South East <sup>1</sup>		–	41,100
<b>Total materials and services</b>		<b>225,932</b>	<b>252,320</b>
Less: capitalised costs		(447)	(605)
<b>Total materials and services</b>		<b>225,485</b>	<b>251,715</b>

### Accounting policy

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

(1) Under the terms of the Light Rail Development Agreement (the Agreement) between the City of Sydney and the NSW Government, the City provided a \$220M total contribution towards the delivery of the CBD and South East Sydney light rail project. Progress payments were made and expenses recognised over a number of financial years, commensurate with agreed project milestones. For the year ended 30 June 2020, the required milestones had not been achieved, but were subsequently agreed between the City, Transport for NSW and the project contractor in July 2020. The final contribution installment (for \$41.1M excluding GST) was paid in August 2020.



### B3-3 Borrowing costs

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
<b>(i) Interest bearing liability costs</b>		
Interest expense relating to leases	<b>228</b>	254
<b>Total borrowing costs expensed</b>	<b>228</b>	<b>254</b>

#### Accounting policy

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred.

## B3-4 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2022	2021
<b>Infrastructure, Property, Plant and Equipment (IPPE)</b>	C1-8		
Plant and equipment		9,498	11,800
Office equipment		3,306	3,029
Furniture and fittings		3,510	3,416
<b>Infrastructure:</b>			
– Buildings – non-specialised		32,222	32,552
– Buildings – specialised		587	504
– Roads		21,183	23,671
– Stormwater drainage		4,322	4,242
– Open space/recreational assets		21,228	26,541
<b>Other assets:</b>			
– Library books		959	1,254
– Poles and lighting		3,352	7,240
– Public art / open museum		590	482
<b>Right of use assets</b>	C2-1	406	448
<b>Intangible assets – software (amortisation)</b>	C1-10	6,990	6,832
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>108,153</b>	<b>122,011</b>

### Accounting policy

#### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

#### Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other non-financial assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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

## B3-5 Other expenses

<b>\$ '000</b>	Notes	<b>2022</b>	<b>2021</b>
<b>Impairment of receivables</b>			
Properties and sundry debtors		<b>866</b>	796
<b>Total impairment of receivables</b>	C1-4	<b>866</b>	<b>796</b>
<b>Other</b>			
Contributions/levies to other levels of government		<b>15,459</b>	17,238
Donations, contributions and assistance to other organisations (Section 356)		<b>23,126</b>	28,837
<b>Total other</b>		<b>38,585</b>	<b>46,075</b>
<b>Total other expenses</b>		<b>39,451</b>	<b>46,871</b>

### Accounting policy

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses.

Impairment expenses are recognised when identified.

## B4 Gains or losses

### B4-1 Gain or loss from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2022	2021
<b>Gain (or loss) on disposal of property (excl. investment property)</b>	C1-8		
Proceeds from disposal – property		8,240	10,146
Less: carrying amount of property assets sold/written off		(3,601)	(866)
<b>Gain (or loss) on disposal</b>		<b>4,639</b>	<b>9,280</b>
<b>Gain (or loss) on disposal of plant and equipment</b>	C1-8		
Proceeds from disposal – plant and equipment		1,572	732
Less: carrying amount of plant and equipment assets sold/written off		(271)	(1,190)
<b>Gain (or loss) on disposal</b>		<b>1,301</b>	<b>(458)</b>
<b>Gain (or loss) on disposal of infrastructure</b>	C1-8		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(1,218)	(1,844)
<b>Gain (or loss) on disposal</b>		<b>(1,218)</b>	<b>(1,844)</b>
<b>Gain (or loss) on disposal of investments</b>	C1-2		
Proceeds from disposal/redemptions/maturities – investments		19,600	83,250
Less: carrying amount of investments sold/redeemed/matured		(19,600)	(83,250)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Gain (or loss) on disposal of term deposits</b>	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		556,000	496,000
Less: carrying amount of term deposits sold/redeemed/matured		(556,000)	(496,000)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Gain (or loss) on disposal of non-current assets classified as 'held for sale'</b>	C1-7		
Proceeds from disposal – non-current assets 'held for sale'		38,200	90,000
Less: carrying amount of 'held for sale' assets sold/written off		(31,893)	(54,915)
<b>Gain (or loss) on disposal</b>		<b>6,307</b>	<b>35,085</b>
<b>Gain (or loss) on disposal of intangible assets</b>	C1-10		
Proceeds from disposal – transferable rights (Heritage Floor Space)		–	31,671
Less: carrying amount of transferable rights sold/written off		–	(28,698)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>2,973</b>
<b>Light Rail Project</b>			
Carrying amount of assets demolished in association with Light Rail project		–	(24,296)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>(24,296)</b>
<b>Net gain (or loss) from disposal of assets</b>		<b>11,029</b>	<b>20,740</b>

#### Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 28/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

**Material variations of more than 10%** between original budget and actual results or where the variance is considered material by nature are explained below.

**Variation Key:** **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
<b>Revenues</b>				
<b>User charges and fees</b>	<b>117,060</b>	<b>95,513</b>	<b>(21,547)</b>	<b>(18)% U</b>
User Fees and Charges were unfavourable to budget due to reductions in income caused by the impact of the COVID-19 pandemic. Parking meter, venue hire, building development related and street furniture related income had significant adverse impacts on revenue as a result of pandemic related restrictions. This was offset, in part, by aquatics facility management fees. In the budget these fees were netted off against income and included in the User Fees and Charges category only. For the purposes of the actual results shown in financial statements both gross income and expenditure have been included thereby significantly increasing the amount shown for facility management fees as part of this category.				
<b>Other revenues</b>	<b>39,930</b>	<b>23,215</b>	<b>(16,715)</b>	<b>(42)% U</b>
Other revenues reported an unfavourable result against budget largely due to the impact of the Covid-19 pandemic on Enforcement Income. A flexible approach to enforcement was adopted, as endorsed by Council, which led to a significant reduction in fines.				
<b>Interest and investment revenue</b>	<b>2,399</b>	<b>5,189</b>	<b>2,790</b>	<b>116% F</b>
The favourable balance in interest and investment income was the result of higher opening cash balances and lower capital expenditure than anticipated in the budget, combined with the gradual increase in interest rates offered in the second half of the financial year.				
<b>Capital grants and contributions</b>	<b>37,510</b>	<b>68,983</b>	<b>31,473</b>	<b>84% F</b>
Capital contributions were favourable to budget. The timing of these contributions is difficult to predict. At Green Square development is still proceeding for a number of the major sites as anticipated with substantial contributions received during the year. A significant cash contribution was received under a voluntary planning agreement in the CBD for the City's George Street Business Innovation Space was also received. Contributions toward development in the CBD, under the Central Sydney plans, were also significantly favourable to budget.				
<b>Net gains from disposal of assets</b>	<b>–</b>	<b>11,029</b>	<b>11,029</b>	<b>∞ F</b>
Council does not budget for gains on disposal of assets, due to their non-recurrent nature, uncertainty of timing and the inherent volatility of sale proceeds. Individual asset sales are approved with appropriate delegated authority, taking into consideration the proposed price offered by the purchaser and the carrying value of the asset/s. The gain reflects where sale proceeds exceed the asset book value of property including a Botany Road property at Green Square and the heritage floor space awarded for the Queen Victoria Building. It also includes proceeds from the sale of a CBD stratum to a long term lease.				

**B5-1 Material budget variations (continued)**

	<b>2022</b>	<b>2022</b>	<b>2022</b>	
<b>\$ '000</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	

**Expenses**

<b>Other expenses</b>	<b>60,068</b>	<b>39,451</b>	<b>20,617</b>	<b>34%</b> <b>F</b>
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Council's adopted budget included approximately \$22.4M for waste collection within Other Expenses. Subsequent to the adoption of the budget, the waste collection portion of the budget was separated from the s88 Waste Levy paid to the NSW Government. This allowed the re-classification of the the collection costs to Materials and Contracts with the balance (approx \$6.0M) retained in Other expenses - contributions/levies to other levels of Government. Prior year comparatives have also been reclassified. The overall savings in this category were further realised as a result of lower enforcement fine processing fees paid to the NSW Government

**Statement of cash flows**

<b>Cash flows from investing activities</b>	<b>(178,771)</b>	<b>(166,629)</b>	<b>12,142</b>	<b>(7)%</b> <b>F</b>
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The favourable performance against budget reflects lower than anticipated capital works and property acquisition expenditure. In particular, the budget anticipated a commercial property acquisition of approximately \$100M, however a suitable site (or sites) could not be located during the 2021/22 financial year. In terms of capital works, material and skill shortages, resulting from the COVID-19 pandemic, and approval delays have slowed progress on a number of projects. Unspent budget for these projects is to be revoted into future years.

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
<b>Cash assets</b>		
Cash on hand and at bank	<b>4,526</b>	11,998
Cash equivalent assets		
– Deposits at call	<b>59,264</b>	34,053
– Short-term deposits	<b>–</b>	5,000
<b>Total cash and cash equivalents</b>	<b>63,790</b>	<b>51,051</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	<b>63,790</b>	51,051
<b>Balance as per the Statement of Cash Flows</b>	<b>63,790</b>	<b>51,051</b>

#### Accounting policy

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



## C1-2 Financial investments

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
<b>Debt securities at amortised cost</b>				
Long term deposits	447,000	75,000	398,000	90,000
NCD's, FRN's (with maturities > 3 months)	36,300	92,950	19,600	96,604
<b>Total</b>	<b>483,300</b>	<b>167,950</b>	<b>417,600</b>	<b>186,604</b>
<b>Total financial investments</b>	<b>483,300</b>	<b>167,950</b>	<b>417,600</b>	<b>186,604</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>547,090</b>	<b>167,950</b>	<b>468,651</b>	<b>186,604</b>

### Accounting policy

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

### Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition. Council has assessed the objective of its investment business model as holding financial assets in order to collect contractual cash flows, with those cash flows on contractual dates, comprising solely principal and/or interest. Accordingly, all investments for the reporting periods shown were held at amortised cost.

### Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables, floating rate note investments, term deposits and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

### C1-3 Restricted and allocated cash, cash equivalents and investments

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
<b>Total cash, cash equivalents and investments</b>	<b>715,040</b>	<b>655,255</b>
Less: Externally restricted cash, cash equivalents and investments	<b>(76,350)</b>	<b>(68,635)</b>
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>638,690</b>	<b>586,620</b>
<b>External restrictions</b>		
<b>External restrictions – included in liabilities</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	<b>3,138</b>	<b>3,288</b>
<b>External restrictions – included in liabilities</b>	<b>3,138</b>	<b>3,288</b>
<b>External restrictions – other</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	<b>36,340</b>	<b>30,902</b>
Domestic waste management	<b>36,872</b>	<b>34,445</b>
<b>External restrictions – other</b>	<b>73,212</b>	<b>65,347</b>
<b>Total external restrictions</b>	<b>76,350</b>	<b>68,635</b>

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

\$ '000	2022	2021
(b) Internal allocations		
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>638,690</b>	<b>586,620</b>
Less: Internally restricted cash, cash equivalents and investments	<b>(348,919)</b>	<b>(313,433)</b>
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>289,771</b>	<b>273,187</b>
<b>Internal allocations</b>		
At 30 June, Council has internally allocated funds to the following:		
Supported accommodation, affordable and diverse housing fund	<b>9,348</b>	<b>4,348</b>
Commercial property reserve	<b>98,038</b>	<b>98,038</b>
Employees leave entitlement	<b>6,500</b>	<b>6,844</b>
Green infrastructure	<b>12,125</b>	<b>13,977</b>
Green square reserve	<b>86,325</b>	<b>86,325</b>
Heritage conservation fund	<b>73,955</b>	<b>48,170</b>
Performance cash bonds and retentions	<b>28,322</b>	<b>30,310</b>
Public liability insurance	<b>656</b>	<b>646</b>
Renewable energy reserve	<b>7,350</b>	<b>7,375</b>
Workers compensation	<b>26,300</b>	<b>17,400</b>
<b>Total internal allocations</b>	<b>348,919</b>	<b>313,433</b>

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

## C1-3 Restricted and allocated cash, cash equivalents and investments (continued)

### Policy on internal and external restrictions on cash, cash equivalents and investments

Cash, cash equivalents and investments are restricted for prudent financial management purposes as follows:

**Developer Contributions** - 100% of cash Developer Contributions levied under Section 7.11, Section 61, Bonus Floor Space scheme and Voluntary Planning Agreements (including the Developer Rights Scheme for Green Square Town Centre) received but not yet expended in accordance with the applicable deed or contributions plan.

**Contributions - Capital Works** - 100% of cash contributions provided to Council by third parties that are yet to be expended on the project/s for which they were provided.

**Unexpended Grants** - 100% of cash grants received not spent during the year are treated as restricted funds.

**Domestic Waste** - Any cash surplus from operations is held as a restricted asset to fund future capital expenditure or process improvements to the Domestic Waste collection business.

**Stormwater Management** - Funds received through the stormwater levy are set aside for various structural and non-structural programs used to reduce urban stormwater pollution. Unspent funds are held as restricted assets.

**Supported Accommodation, Affordable and Diverse Housing** - Income receipts dedicated by Council for the purposes of contributing towards the delivery of supported accommodation, affordable and/or diverse housing are set aside for future projects and initiatives as endorsed by Council.

**City Centre Transformation** - Monies set aside to meet future contributions to the State Government in respect of the future transformation of George Street into a shared pedestrian zone incorporating light rail. Final instalment payment was made in August 2020.

**Commercial Properties** - Funds that are surplus to requirements, set aside to reinvest and continue the revenue stream from and maintain diversification of Council's large commercial and investment property portfolio.

**Community Facilities** - Cash set aside for the future acquisition or development of property to improve community spaces or replacement facilities that meet community needs at that time.

**Employee Leave Entitlements** - 10% of the employee leave entitlement provision is set aside to fund extraordinary movements of staff. Normal annual payments of leave entitlements are funded from operating income.

**Green Infrastructure** - Monies set aside for implementing green infrastructure projects including co/trigeneration plants, water recycling and evacuated waste systems to deliver enhanced environmental benefits to the organisation and community.

**Green Square** - Monies set aside in anticipation of Green Square infrastructure not funded by developer contributions or grant funding.

**Heritage Conservation Fund** - Cash received through Alternative Heritage Floor Space Allocation Scheme, yet to be expended on heritage related projects in accordance with the council-adopted policy.

**Infrastructure Contingency** - 100% of monies are set aside for the funding of urgent and expensive rectification of historic buildings and ageing infrastructure (e.g. stormwater).

**Operational Facilities** - Cash set aside for the future acquisition or development of properties to supplement or replace buildings within the current building assets portfolio that provide infrastructure for the operation of Council's services.

**Performance Bond Deposits** - All security deposits are held as restricted funds.

**Public Liability Insurance** - Cash has been restricted for 100% of the provision.

**Public Roads** - In accordance with Section 43 (4) of the Roads Act (NSW) 1993, proceeds from the sale of (former) public road are set aside for the acquisition of land for public roads, and/or carrying out works on public roads.

**Renewable Energy** - Monies set aside to develop renewable energy for the organisation that can be derived from wind, solar or geo-thermal sources.

**Workers Compensation Insurance** - In accordance with actuarial advice, Council restricts funds for 100% of the provision, as advised by an external consulting actuary (in order to meet the requirements of the State Insurance Regulatory Authority, SIRA).

## C1-4 Receivables

<b>\$ '000</b>	<b>2022 Current</b>	<b>2022 Non-current</b>	<b>2021 Current</b>	<b>2021 Non-current</b>
Rates and annual charges	7,414	–	8,047	–
Interest and extra charges relating to rates	151	–	120	–
User charges and fees	4,055	–	13,045	–
Accrued interest on investments	1,635	–	1,278	–
Net GST receivable	3,840	–	2,544	–
Rental debtors	23,455	1,054	18,342	2,287
Outstanding works in kind contributions	8,742	21,680	17,942	28,961
<b>Total</b>	<b>49,293</b>	<b>22,735</b>	<b>61,318</b>	<b>31,248</b>
<b>Less: provision for impairment</b>				
Rental debtors and User charges & fees	(3,660)	–	(3,460)	–
<b>Total provision for impairment – receivables</b>	<b>(3,660)</b>	<b>–</b>	<b>(3,460)</b>	<b>–</b>
<b>Total net receivables</b>	<b>45,633</b>	<b>22,735</b>	<b>57,858</b>	<b>31,248</b>
<b>Externally restricted receivables</b>				
Domestic waste management	635	–	634	–
Domestic waste management – interest & extra charges	22	–	22	–
Works receivable (developer contributions)	8,742	21,680	17,942	28,961
<b>Total external restrictions</b>	<b>9,399</b>	<b>21,680</b>	<b>18,598</b>	<b>28,961</b>
<b>Unrestricted receivables</b>	<b>36,234</b>	<b>1,055</b>	<b>39,260</b>	<b>2,287</b>
<b>Total net receivables</b>	<b>45,633</b>	<b>22,735</b>	<b>57,858</b>	<b>31,248</b>

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	3,460	3,344
+ new provisions recognised during the year	1,530	3,309
– amounts already provided for and written off this year	(204)	(686)
– amounts provided for but recovered during the year	–	(4)
– unused amounts reversed	(1,126)	(2,503)
<b>Balance at the end of the year</b>	<b>3,660</b>	<b>3,460</b>

### Accounting policy

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

### Impairment

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical

## C1-4 Receivables (continued)

experience and informed credit assessment, and including forward-looking information. Additional disclosure related to Council's ECL model is provided at Note E1-1.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A debt write-off is only considered after all attempts and appropriate measures of collecting the debt have failed, and where at least one of the following conditions is satisfied: the debt cannot be proven; the debt is of a size that makes the use of external debt collection agency economically unviable; the debtor and/or their assets cannot be located; the debt is statute barred (the age of the claim is beyond legislatively stated time constraints); the debtor has been declared bankrupt (personal) or in liquidation (corporate) or the company is deregistered; or the debtor is deceased.

The write off of a debt does not preclude any action being taken in the future to collect the outstanding amount, should the prevailing circumstances change. None of the receivables that have been written off are subject to further enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Rates and annual charges outstanding are secured against the property.

## C1-5 Inventories

<b>\$ '000</b>	<b>2022 Current</b>	<b>2022 Non-current</b>	<b>2021 Current</b>	<b>2021 Non-current</b>
<b>(i) Inventories at cost</b>				
Stores and materials	989	—	989	—
<b>Total inventories at cost</b>	<b>989</b>	<b>—</b>	<b>989</b>	<b>—</b>
<b>Total inventories</b>	<b>989</b>	<b>—</b>	<b>989</b>	<b>—</b>

### Externally restricted assets

There are no restrictions applicable to the above assets.

### Accounting policy

#### Raw materials and stores, work in progress and finished goods

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

## C1-6 Contract assets

<b>\$ '000</b>	<b>2022 Current</b>	<b>2022 Non-current</b>	<b>2021 Current</b>	<b>2021 Non-current</b>
Accrued revenue	<b>23,560</b>	—	17,195	—
<b>Total contract assets</b>	<b>23,560</b>	—	<b>17,195</b>	—

### (i) Externally restricted assets

There are no restrictions applicable to the above assets.

### Accounting policy

#### Contract assets

Contract assets represent Council's right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.



## C1-7 Non-current assets classified as held for sale

<b>\$ '000</b>	<b>Notes</b>	<b>2022 Current</b>	<b>2022 Non-current</b>	<b>2021 Current</b>	<b>2021 Non-current</b>
<b>Details of non-current assets held for sale</b>					
Land	C1-8	<b>8,476</b>	–	17,906	–
Transferable Rights - Heritage Floorspace	C1-10	<b>18,361</b>	–	17,693	–
<b>Total non-current assets held for sale</b>		<b>26,837</b>	–	<b>35,599</b>	–
<b>Total non-current assets classified as held for sale</b>		<b>26,837</b>	–	<b>35,599</b>	–

### Details of assets

Council holds property assets previously designated as 'Land - Operational' and 'Intangible Assets', being transferable Heritage Floor Space rights, in Notes C1-8 and C1-10 - as held for sale at 30 June 2022. Preferred purchasers have been determined, and the disposals have been endorsed by Council. Settlement is anticipated to occur during the 2022/23 financial year.

### Accounting policy

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

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

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

## C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period									At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers <sup>2</sup>	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Tfrs from/(to) investment properties	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000															
Capital work in progress (WIP) <sup>3</sup>	230,648	—	230,648	51,787	83,646	—	—	(122,930)	—	—	(933)	—	242,217	—	242,217
Plant and equipment	114,973	(73,785)	41,188	6,231	398	(271)	(9,498)	1,448	—	—	—	—	119,666	(80,170)	39,496
Office equipment	22,472	(14,678)	7,794	2,064	—	—	(3,306)	25	3,738	—	—	—	20,850	(10,535)	10,315
Furniture and fittings	42,649	(26,629)	16,020	110	—	—	(3,510)	—	—	—	—	—	42,759	(30,139)	12,620
<b>Land:</b>															
– Operational land	1,807,539	—	1,807,539	—	—	—	—	2,087	(9,549)	(4,770)	—	—	1,795,307	—	1,795,307
– Community land	2,493,983	—	2,493,983	—	5,708	(3,601)	—	—	17,260	—	—	—	2,513,350	—	2,513,350
– Crown land	3,013,891	—	3,013,891	—	—	—	—	—	(17,260)	—	—	—	2,996,631	—	2,996,631
– Land under roads (post 30/6/08)	109,674	—	109,674	—	423	—	—	—	9,549	—	—	—	119,646	—	119,646
Other structures – trees	120,861	—	120,861	—	65	—	—	2,141	—	—	—	15,003	138,070	—	138,070
Other structures – poles and lights	146,589	(64,692)	81,897	—	342	—	(3,352)	6,235	278	—	—	—	153,443	(68,044)	85,399
Other structures – signs	24,949	—	24,949	—	9	—	—	1,166	56	—	—	—	26,180	—	26,180
<b>Infrastructure:</b>															
– Buildings – non-specialised	1,979,080	(413,907)	1,565,173	79	16,196	—	(32,222)	15,309	—	—	—	117,794	2,170,628	(488,298)	1,682,330
– Buildings – specialised	49,345	(22,284)	27,061	—	—	—	(587)	1,445	—	—	—	2,691	55,698	(25,087)	30,611
– Roads, Bridges, Footways, Kerbs	1,836,317	(545,891)	1,290,426	—	2,431	(1,093)	(21,183)	49,217	(734)	—	—	70,979	2,138,423	(748,380)	1,390,043
– Stormwater drainage	431,279	(129,485)	301,794	—	155	—	(4,322)	17,551	53	—	—	28,822	486,637	(142,583)	344,054
– Open space/recreational assets	661,553	(383,767)	277,786	—	4,942	(125)	(21,228)	25,254	347	—	—	—	691,446	(404,471)	286,975
<b>Other assets:</b>															
– Heritage collections	9,598	—	9,598	—	71	—	—	—	—	—	—	—	9,669	—	9,669
– Library books	8,642	(6,499)	2,143	682	—	—	(959)	—	—	—	—	—	7,129	(5,263)	1,866
– City art	58,943	(10,502)	48,441	59	—	—	(590)	1,052	—	—	—	—	60,002	(11,040)	48,962
<b>Total infrastructure, property, plant and equipment</b>	<b>13,162,985</b>	<b>(1,692,119)</b>	<b>11,470,866</b>	<b>61,012</b>	<b>114,386</b>	<b>(5,090)</b>	<b>(100,757)</b>	<b>—</b>	<b>3,738</b>	<b>(4,770)</b>	<b>(933)</b>	<b>235,289</b>	<b>13,787,751</b>	<b>(2,014,010)</b>	<b>11,773,741</b>

(1) Renewals are defined as the replacement or reinstatement of existing assets (significant upgrades and acquisition of additional assets are shown under Additions new assets).

(2) WIP Transfers consists of completed capital construction projects transferred from Work in Progress into the fixed asset register. Completed projects transferred include: \$38.4M in capital renewal, \$34.1M in capital upgrade, \$51.4M in new infrastructure and facilities

(3) Capital Work in Progress includes \$241.9M for capital construction projects and \$0.3M for Plant & Asset purchases

## C1-8 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period										At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers <sup>2</sup>	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Tfrs from/(to) investment properties	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000																
Capital work in progress <sup>3</sup>	232,723	—	232,723	55,535	109,167	—	—	(166,222)	—	—	(555)	—	—	230,648	—	230,648
Plant and equipment	100,013	(63,797)	36,216	4,474	1,057	(446)	(11,800)	11,688	—	—	—	—	—	114,973	(73,785)	41,188
Office equipment	19,567	(11,649)	7,918	1,711	305	—	(3,029)	—	889	—	—	—	—	22,472	(14,678)	7,794
Furniture and fittings	37,973	(23,213)	14,760	128	—	—	(3,416)	4,548	—	—	—	—	—	42,649	(26,629)	16,020
<b>Land:</b>																
– Operational land	1,519,421	—	1,519,421	—	76,512	—	—	11,426	25,587	(17,906)	—	—	192,500	1,807,539	—	1,807,539
– Community land	3,050,177	—	3,050,177	—	9,056	—	—	—	(30,150)	—	—	(535,100)	—	2,493,983	—	2,493,983
– Crown land	4,871,680	—	4,871,680	—	—	—	—	—	(1,962)	—	—	(1,855,827)	—	3,013,891	—	3,013,891
– Land under roads (post 30/6/08)	97,491	—	97,491	—	5,658	—	—	—	6,525	—	—	—	—	109,674	—	109,674
Other structures – trees	119,732	—	119,732	—	1,332	(785)	—	582	—	—	—	—	—	120,861	—	120,861
Other structures – poles and lights	125,235	(58,545)	66,690	—	20,639	(1,262)	(7,240)	3,069	—	—	—	—	—	146,589	(64,692)	81,897
Other structures – signs	24,123	—	24,123	—	20	—	—	806	—	—	—	—	—	24,949	—	24,949
<b>Infrastructure:</b>																
– Buildings – non-specialised	1,759,329	(368,613)	1,390,716	200	538	(866)	(32,552)	70,257	—	—	—	—	136,881	1,979,080	(413,907)	1,565,173
– Buildings – specialised	44,833	(13,538)	31,295	—	364	—	(504)	137	—	—	—	(4,231)	—	49,345	(22,284)	27,061
– Roads	1,794,591	(532,584)	1,262,007	—	48,712	(21,694)	(23,671)	25,466	(394)	—	—	—	—	1,836,317	(545,891)	1,290,426
– Stormwater drainage	409,866	(126,112)	283,754	—	18,495	(1,816)	(4,242)	5,602	—	—	—	—	—	431,279	(129,485)	301,794
– Other open space/recreational assets	611,802	(352,581)	259,221	—	5,192	(584)	(26,541)	31,423	—	—	—	—	9,075	661,553	(383,767)	277,786
<b>Other assets:</b>																
– Heritage collections	7,314	—	7,314	—	3	—	—	—	—	—	—	—	2,281	9,598	—	9,598
– Library books	8,069	(5,245)	2,824	573	—	—	(1,254)	—	—	—	—	—	—	8,642	(6,499)	2,143
– City art	48,543	(9,361)	39,182	—	11	(745)	(481)	1,218	—	—	—	—	9,256	58,943	(10,502)	48,441
<b>Total Infrastructure, property, plant and equipment - Prior year</b>	<b>14,882,482</b>	<b>(1,565,238)</b>	<b>13,317,244</b>	<b>62,621</b>	<b>297,061</b>	<b>(28,198)</b>	<b>(114,730)</b>	<b>—</b>	<b>495</b>	<b>(17,906)</b>	<b>(555)</b>	<b>(2,395,158)</b>	<b>349,993</b>	<b>13,162,985</b>	<b>(1,692,119)</b>	<b>11,470,866</b>

(1) Renewals are defined as the replacement or reinstatement of existing assets (significant upgrades and acquisition of additional assets are shown under Additions new assets).

(2) WIP Transfers consists of completed capital construction projects transferred from Work in Progress into the fixed asset register. Completed projects transferred include: \$38.1M in capital renewal, \$16.4M in capital upgrade, \$111.7M in new infrastructure and facilities

(3) Capital Work in Progress includes \$230.0M for capital construction projects and \$0.7M for Plant & Asset purchases

## C1-8 Infrastructure, property, plant and equipment (continued)

### Accounting policy

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes). When infrastructure, property, plant and equipment is acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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

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

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

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

<b>Buildings (by component type):</b>	<b>Years</b>	<b>Infrastructure - Drainage</b>	<b>Years</b>
Structure (Short Life)	32 to 151	Pipes and culverts	100
Structure (Long Life)	38 to 400	Drainage pits and junctions	100
Sub-Structure (Short Life)	38 to 127	Trunk drainage infrastructure	200
Sub-Structure (Long Life)	38 to 400	Water quality infrastructure	10 to 100
Roof (Short Life)	25 to 127		
Roof (Long Life)	38 to 400	<b>Poles and Lighting</b>	
Fit-Out (Short Life)	17 to 78	Council lighting	15 to 50
Fit-Out (Long Life)	38 to 130	Smartpoles	50
Services - Electrical (Short Life)	32 to 91		
Services - Electrical (Long Life)	38 to 195	<b>Council Signage</b>	Infinite
Services - Fire (Short Life)	15 to 25		
Services - Fire (Long Life)	40 to 98	<b>Open space and recreational assets</b>	
Services - Hydraulic (Short Life)	25 to 91	Park and open space improvements	20 to 100
Services - Hydraulic (Long Life)	38 to 195	Park equipment and structures	20
Services - Mechanical (Short Life)	14 to 60		
Services - Mechanical (Long Life)	38 to 104	<b>Trees - street and park trees</b>	Infinite
Services - Security (Short Life)	15 to 25		
Services - Lift/Transport (Short Life)	46 to 127	<b>Plant &amp; Equipment</b>	
Services - Lift/Transport (Long Life)	75 to 195	Plant & equipment	3 to 20
Services - Floor Coverings (Short Life)	10 to 44	Water recycling plant (specialised)	30 to 50
		Vehicles and road-making equipment	5 to 7
<b>Infrastructure - Roads</b>		Computer equipment	3 to 5
Roads - upper strata	30 to 120	Parking Meters	5 to 7
Roads - lower strata	300	Office Equipment	3 to 5
Roads - sub-structure earthworks	Infinite	Furniture and Fittings	3 to 10
Footways	40 to 150		
Kerb and gutter	100 to 200	<b>Other assets</b>	
Bridges and structures	100	Library resources	3 to 5
Traffic Facilities	20 to 50	City art	20 to 100
Street furniture	20		

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

## C1-8 Infrastructure, property, plant and equipment (continued)

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### Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

### Crown reserves and third party owned land

The Crown Land class includes assets that are owned by government and/or 3rd party entities, however Council retains both operational control of the assets and responsibility for the maintenance of improvements thereon. Council includes these land assets in the Statement of Financial Position, as well as the cost of any Council funded related improvements, on the basis of its financial rights and responsibilities in controlling and maintaining the assets. Maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Revocation of such control by the State Government is regarded as extremely unlikely given the history of Crown Reserves, and Council's history of operational care and control over the assets.

In the case of Crown Reserve lands, Reserve Trusts were created for administrative purposes under section 92 of the Crown Lands Act 1989 ("the Act") for a large proportion of these Crown Reserves. Prior to the enactment of the Act, Council was Reserve Trustee of these assets and upon enactment, section 5A of the Schedule 8 (Savings, transitional and other provisions) of the Act has appointed Council Reserve Trust Manager of the related Reserve Trusts created under section 92.

## C1-9 Investment properties

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
<b>Owned investment property</b>		
Investment property on hand at fair value	<b>399,172</b>	384,259
<b>Total owned investment property</b>	<b>399,172</b>	<b>384,259</b>

### Investment property movements

<b>\$ '000</b>	Notes	<b>2022</b>	<b>2021</b>
<b>At fair value</b>			
Opening balance at 1 July		<b>384,259</b>	344,700
Capitalised subsequent expenditure	C1-8	<b>933</b>	555
Net gain/(loss) from fair value adjustments	B2-6	<b>13,980</b>	39,004
<b>Closing balance at 30 June</b>		<b>399,172</b>	<b>384,259</b>

### Accounting policy

Investment property, comprising commercial, industrial and residential properties, is held for long-term rental yield and capital appreciation and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as part of Note B2-6 Other Income.

## C1-10 Intangible assets

Intangible assets are as follows:

\$ '000	2022	2021
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	43,883	34,451
Accumulated amortisation	(28,127)	(21,295)
Software work in progress (WIP) balance	18,433	15,006
<b>Net book value – opening balance</b>	<b>34,189</b>	<b>28,162</b>
<b>Movements for the year</b>		
– Development costs capitalised	15,452	10,304
– Transfer (to)/from I,P,P&E	(3,738)	(872)
– Amortisation charges	(6,990)	(6,832)
– WIP movement - net	(2,770)	3,427
<b>Closing values at 30 June</b>		
Gross book value	55,597	43,883
Accumulated amortisation	(35,116)	(28,127)
Software work in progress (WIP) balance	15,663	18,433
<b>Total software – net book value</b>	<b>36,144</b>	<b>34,189</b>
<b>Transferable rights - heritage floor space</b>		
<b>Opening values at 1 July</b>		
Gross book value	18,361	20,688
<b>Net book value – opening balance</b>	<b>18,361</b>	<b>20,688</b>
<b>Movements for the year</b>		
– Award of heritage floor space on City-owned property	–	44,064
– Carrying value of heritage floor space sold	–	(28,698)
– Transferred to assets held for sale at 30 June	(18,361)	(17,693)
<b>Closing values at 30 June</b>		
Gross book value	–	18,361
<b>Total Transferable Rights - Heritage Floor Space – net book value</b>	<b>–</b>	<b>18,361</b>
<b>Total intangible assets – net book value</b>	<b>36,144</b>	<b>52,550</b>

### Accounting policy

#### IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

Software development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.



## C1-10 Intangible assets (continued)

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### **Transferable rights - heritage floor space**

The heritage floor space scheme provides an incentive for the conservation and ongoing maintenance of heritage items in central Sydney. The scheme provides for owners of eligible heritage listed buildings to be awarded heritage floor space after preparing a conservation management plan and completing agreed conservation works to their building. The awarded heritage floor space can then be sold to a site that requires it as part of an approved development application.

Within central Sydney, it is often a requirement of large scale developments to acquire heritage floor space in order to maximise development capacity on a site.

Following an award of heritage floor space on a Council-owned property, an asset will be recognised at the point the award is registered on Council's heritage floor space register. At recognition, heritage floor space awarded to Council is valued at fair value with reference to the *Heritage Floor Space Update*, published biannually by the Council's Strategic Planning and Urban Design unit (at December and June). Heritage Floor Space rights will subsequently be carried using the Cost approach (i.e. at recognition value). As transferable rights, the assets have an infinite useful life, but may be subject to fluctuations market value.

## C1-11 Other

### Other assets

<b>\$ '000</b>	<b>2022 Current</b>	<b>2022 Non-current</b>	<b>2021 Current</b>	<b>2021 Non-current</b>
Prepayments	7,814	–	6,983	–
Future benefits – shared services relating to Sutherland animal shelter	14	98	14	112
<b>Total other assets</b>	<b>7,828</b>	<b>98</b>	<b>6,997</b>	<b>112</b>

### Restricted assets

<b>\$ '000</b>	<b>2022 Current</b>	<b>2022 Non-current</b>	<b>2021 Current</b>	<b>2021 Non-current</b>
Other assets - externally restricted	–	–	–	–
Other assets - internally restricted	–	–	–	–
Other assets - unrestricted	7,828	98	6,997	112
<b>Total other assets</b>	<b>7,828</b>	<b>98</b>	<b>6,997</b>	<b>112</b>

## C2 Leasing activities

### C2-1 Council as a lessee

#### Buildings

Council entered a lease for two floors of a larger commercial building, commencing 28 June 2019, for use as a public library. The initial lease term is 15 years, with escalation of CPI plus 0.5% annually.

#### Extension options

The lease contains five extension options of 15 years each, plus a further option of 9 years (i.e. total potential extensions of 84 years, following the initial 15 year term). Council has assessed the first 30 year option as reasonably certain, and included this option term in lease liability calculations. The further options are currently not considered to be reasonably certain, and have therefore been excluded from lease liability calculations (the present value of future lease payments at 30 June 2022, including all future extension options, is estimated at \$38.3M).

#### (a) Right of use assets

<b>\$ '000</b>	<b>Building</b>	<b>Total</b>
<b>2022</b>		
Opening balance at 1 July	12,551	12,551
Depreciation charge	(406)	(406)
Lease liability remeasurement	(1,184)	(1,184)
<b>Balance at 30 June</b>	<b>10,961</b>	<b>10,961</b>
<b>2021</b>		
Opening balance at 1 July	13,361	13,361
Depreciation charge	(448)	(448)
Lease liability remeasurement	(362)	(362)
<b>Balance at 30 June</b>	<b>12,551</b>	<b>12,551</b>

#### (b) Lease liabilities

<b>\$ '000</b>	<b>2022 Current</b>	<b>2022 Non-current</b>	<b>2021 Current</b>	<b>2021 Non-current</b>
Lease liabilities	234	11,522	203	12,960
<b>Total lease liabilities</b>	<b>234</b>	<b>11,522</b>	<b>203</b>	<b>12,960</b>

#### (i) Maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

<b>\$ '000</b>	<b>&lt; 1 year</b>	<b>1 – 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>	<b>Total per Statement of Financial Position</b>
<b>2022</b>					
Cash flows	457	1,907	13,060	15,424	11,756
<b>2021</b>					
Cash flows	453	1,919	15,210	17,582	13,163

## C2-1 Council as a lessee (continued)

### (ii) Lease liabilities relating to restricted assets

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

### (c) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

\$ '000	2022	2021
Interest on lease liabilities	228	254
Depreciation of right of use assets	406	448
Variable lease payments based on usage not included in the measurement of lease liabilities	441	445
Expenses relating to low-value leases	69	69
	<b>1,144</b>	<b>1,216</b>

### (d) Statement of Cash Flows

Total cash outflow for leases	450	442
	<b>450</b>	<b>442</b>

### (e) Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- Bridges - stratum
- Car park
- Child care centre
- Community room
- Creative studios
- End-of-trip (bicycle) facilities
- Jetty/pontoon facilities
- Parks and open space

The leases are generally between 10 and 99 years for nominal rent. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

### Accounting policy

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

## C2-1 Council as a lessee (continued)

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Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

### **Exceptions to lease accounting**

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

### **Leases at significantly below market value / Concessionary leases**

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

## C2-2 Council as a lessor

### Operating leases

Council leases a number of properties to both commercial tenants and community groups. Those property assets that are held by Council for the purposes of generating rental income and/or capital appreciation are classified as investment property in the statement of financial position. Other property assets generating lease income are held for a range of community and strategic purposes, and income generated through lease arrangements is considered incidental to these longer term strategic aims.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below:

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
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#### (i) Assets held as investment property

Council classifies a number of properties as Investment Property under AASB 140, where the assets are primarily held for rental returns and/or capital appreciation over time.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below

Lease income (excluding variable lease payments not dependent on an index or rate)	<b>17,758</b>	18,865
<b>Total income relating to operating leases for investment property assets</b>	<b>17,758</b>	<b>18,865</b>

#### Operating lease expenses

Direct operating expenses that generated rental income	<b>2,455</b>	1,443
<b>Total expenses relating to operating leases of investment property</b>	<b>2,455</b>	<b>1,443</b>

#### Repairs and maintenance: investment property

Contractual obligations for future repairs and maintenance	<b>903</b>	1,212
<b>Total repairs and maintenance: investment property</b>	<b>903</b>	<b>1,212</b>

#### (ii) Assets held as property, plant and equipment

Council leases a range of property assets on both commercial and (partially) subsidised terms, including:

- Commercial, retail, industrial and residential property
- Footway and kiosk operator licences
- Stratum leases for airspace and tunnels in the public domain

Lease income (excluding variable lease payments not dependent on an index or rate)	<b>32,953</b>	33,430
Lease income relating to variable lease payments not dependent on an index or a rate	<b>11,930</b>	9,672
<b>Total income relating to operating leases for Council assets</b>	<b>44,883</b>	<b>43,102</b>

**C2-2 Council as a lessor (continued)**

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
<b>Other leased assets expenses</b>		
Direct operating expenses for other properties that generated rental income	<b>22,701</b>	15,338
<b>Total expenses relating to other leases assets</b>	<b>22,701</b>	15,338

**(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:**

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	<b>34,617</b>	39,773
1–2 years	<b>29,715</b>	25,721
2–3 years	<b>23,553</b>	19,291
3–4 years	<b>19,266</b>	12,975
4–5 years	<b>17,351</b>	9,228
> 5 years	<b>82,800</b>	71,221
<b>Total undiscounted lease payments to be received</b>	<b>207,302</b>	178,209

**Accounting policy**

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

## C3 Liabilities of Council

### C3-1 Payables

<b>\$ '000</b>	<b>2022 Current</b>	<b>2022 Non-current</b>	<b>2021 Current</b>	<b>2021 Non-current</b>
Creditors – Goods and services	17,915	–	17,631	–
Accrued employee costs	8,225	–	6,750	–
Accrued interest expense - bonds and deposits	5	–	5	–
Accrued expenditure - other	45,498	–	44,864	–
Performance cash bonds, deposits and retentions	28,323	–	30,311	–
Prepaid rates	3,185	–	3,221	–
Other	1,224	–	1,265	–
<b>Total payables</b>	<b>104,375</b>	<b>–</b>	<b>104,047</b>	<b>–</b>

#### Payables relating to restricted assets

<b>\$ '000</b>	<b>2022 Current</b>	<b>2022 Non-current</b>	<b>2021 Current</b>	<b>2021 Non-current</b>
<b>Externally restricted assets</b>				
Domestic waste management	2,331	–	2,270	–
Payables relating to externally restricted assets	2,331	–	2,270	–
<b>Internally restricted assets</b>				
Performance cash bonds, deposits and retentions	28,323	–	30,311	–
Payables relating to internally restricted assets	28,323	–	30,311	–
<b>Total payables relating to restricted assets</b>	<b>30,654</b>	<b>–</b>	<b>32,581</b>	<b>–</b>
<b>Total payables relating to unrestricted assets</b>	<b>73,721</b>	<b>–</b>	<b>71,466</b>	<b>–</b>
<b>Total payables</b>	<b>104,375</b>	<b>–</b>	<b>104,047</b>	<b>–</b>

#### Current payables not anticipated to be settled within the next twelve months

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	17,919	12,297
<b>Total payables</b>	<b>17,919</b>	<b>12,297</b>

#### Accounting policy

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

#### Payables

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



## C3-2 Contract Liabilities

<b>\$ '000</b>	<b>Notes</b>	<b>2022 Current</b>	<b>2022 Non-current</b>	<b>2021 Current</b>	<b>2021 Non-current</b>
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	1,457	–	898	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(i)	1,681	–	2,384	–
Heritage conservation fund	(ii)	3,518	70,437	2,100	46,070
<b>Total grants and contributions received in advance:</b>		<b>6,656</b>	<b>70,437</b>	<b>5,382</b>	<b>46,070</b>
<b>User fees and charges received in advance:</b>					
Miscellaneous payments received in advance		23,384	–	22,085	–
<b>Total user fees and charges received in advance</b>		<b>23,384</b>	<b>–</b>	<b>22,085</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>30,040</b>	<b>70,437</b>	<b>27,467</b>	<b>46,070</b>

### Notes

(i) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 and AASB 1058 being satisfied since the performance obligations are ongoing.

(ii) The liability relates to funds received via the Alternative Heritage Floor Space Allocation Scheme and held in the Heritage Conservation Fund. Strict eligibility criteria for projects, detailed in the scheme, must be met before funds are eligible to be recognised as income. This recognition occurs in line with expenditure on eligible projects.

### Contract liabilities relating to restricted assets

<b>\$ '000</b>	<b>2022 Current</b>	<b>2022 Non-current</b>	<b>2021 Current</b>	<b>2021 Non-current</b>
<b>Externally restricted assets</b>				
Unspent grants held as contract liabilities	3,138	–	3,288	–
<b>Contract liabilities relating to externally restricted assets</b>	<b>3,138</b>	<b>–</b>	<b>3,288</b>	<b>–</b>
<b>Internally restricted assets</b>				
Heritage Conservation Fund	3,518	70,437	2,100	46,070
<b>Contract liabilities relating to internally restricted assets</b>	<b>3,518</b>	<b>70,437</b>	<b>2,100</b>	<b>46,070</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>6,656</b>	<b>70,437</b>	<b>5,388</b>	<b>46,070</b>
<b>Total contract liabilities relating to unrestricted assets</b>	<b>23,384</b>	<b>–</b>	<b>22,079</b>	<b>–</b>
<b>Total contract liabilities</b>	<b>30,040</b>	<b>70,437</b>	<b>27,467</b>	<b>46,070</b>

## C3-2 Contract Liabilities (continued)

### Revenue recognised that was included in the contract liability balance at the beginning of the period

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	898	–
Operating grants (received prior to performance obligation being satisfied)	2,384	147
Heritage conservation fund	48,170	–
<b>User fees and charges received in advance:</b>		
Miscellaneous payments received in advance	22,085	9,122
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>73,537</b>	<b>9,269</b>

### Accounting policy

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

## C3-3 Borrowings

### Financing arrangements

\$ '000	2022	2021
<b>Total facilities</b>		
Credit cards/purchase cards	1,500	1,500
<b>Total financing arrangements</b>	<b>1,500</b>	<b>1,500</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	25	16
<b>Total drawn financing arrangements</b>	<b>25</b>	<b>16</b>
<b>Undrawn facilities</b>		
– Credit cards/purchase cards	1,475	1,484
<b>Total undrawn financing arrangements</b>	<b>1,475</b>	<b>1,484</b>

### Accounting policy

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

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

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

## C3-4 Employee benefit provisions

<b>\$ '000</b>	<b>2022 Current</b>	<b>2022 Non-current</b>	<b>2021 Current</b>	<b>2021 Non-current</b>
Annual leave	12,506	–	12,684	–
Sick leave	2,886	1,922	2,772	2,517
Long service leave	45,559	2,220	47,971	2,587
Public holidays	328	–	290	–
<b>Total employee benefit provisions</b>	<b>61,279</b>	<b>4,142</b>	<b>63,717</b>	<b>5,104</b>

### Employee benefit provisions relating to restricted assets

<b>Total employee benefit provisions relating to restricted assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total employee benefit provisions relating to unrestricted assets</b>	<b>61,279</b>	<b>4,142</b>	<b>63,717</b>	<b>5,104</b>
<b>Total employee benefit provisions</b>	<b>61,279</b>	<b>4,142</b>	<b>63,717</b>	<b>5,104</b>

### Current employee benefit provisions not anticipated to be settled within the next twelve months

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	42,472	45,185
	<b>42,472</b>	<b>45,185</b>

### Description of and movements in provisions

<b>\$ '000</b>	<b>Employee benefit provisions</b>				
	<b>Annual leave</b>	<b>Sick leave</b>	<b>Long service leave</b>	<b>Public holidays</b>	<b>Total</b>
<b>2022</b>					
At beginning of year	12,684	5,289	50,558	290	68,821
Additional provisions	14,366	538	7,974	38	22,916
Amounts used (payments)	(14,096)	(550)	(5,219)	–	(19,865)
Remeasurement effects	–	(269)	(5,534)	–	(5,803)
Unused amounts reversed	(448)	(200)	–	–	(648)
<b>Total ELE provisions at end of year</b>	<b>12,506</b>	<b>4,808</b>	<b>47,779</b>	<b>328</b>	<b>65,421</b>
<b>2021</b>					
At beginning of year	13,933	5,744	49,285	235	69,196
Additional provisions	14,449	541	8,002	55	23,047
Amounts used (payments)	(15,402)	(681)	(4,482)	–	(20,565)
Remeasurement effects	–	(47)	(1,206)	–	(1,253)
Unused amounts reversed	(296)	(268)	(1,041)	–	(1,605)
<b>Total ELE provisions at end of year</b>	<b>12,684</b>	<b>5,289</b>	<b>50,558</b>	<b>290</b>	<b>68,820</b>

### Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

### Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid

## C3-4 Employee benefit provisions (continued)

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when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

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

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### **On-costs**

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

## C3-5 Provisions

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
<b>Other provisions</b>				
Self insurance – workers compensation	5,400	20,900	3,100	14,300
Self insurance – public liability	107	548	105	541
Superannuation	–	1,817	–	3,737
Provision for rent waivers (Covid-19)	11,544	–	5,576	–
Other	2,746	–	1,146	–
<b>Sub-total – other provisions</b>	<b>19,798</b>	<b>23,266</b>	<b>9,927</b>	<b>18,578</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	4,000	–	4,000
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>4,000</b>	<b>–</b>	<b>4,000</b>
<b>Total provisions</b>	<b>19,798</b>	<b>27,266</b>	<b>9,927</b>	<b>22,578</b>

### Provisions relating to restricted assets

#### Internally restricted assets

Self insurance – workers compensation	5,400	20,900	3,100	14,300
Self insurance – public liability	107	548	105	541

#### Provisions relating to internally restricted assets

<b>5,507</b>	<b>21,448</b>	<b>3,205</b>	<b>14,841</b>
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#### Total provisions relating to restricted assets

<b>5,507</b>	<b>21,448</b>	<b>3,205</b>	<b>14,841</b>
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#### Total provisions relating to unrestricted assets

<b>14,291</b>	<b>5,818</b>	<b>6,722</b>	<b>7,737</b>
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#### Total provisions

<b>19,798</b>	<b>27,266</b>	<b>9,927</b>	<b>22,578</b>
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### Description of and movements in provisions

\$ '000	Other provisions						Net carrying amount
	Asset remediation	Workers Compensation	Public liability	Superannuation	Rental Waivers	Other	
<b>2022</b>							
At beginning of year	4,000	17,400	646	3,737	5,576	1,146	32,505
Additional provisions	–	14,888	10	–	5,968	1,611	22,477
Amounts used (payments)	–	(5,988)	–	–	–	(11)	(5,999)
Remeasurement effects	–	–	–	(1,920)	–	–	(1,920)
<b>Total other provisions at end of year</b>	<b>4,000</b>	<b>26,300</b>	<b>656</b>	<b>1,817</b>	<b>11,544</b>	<b>2,746</b>	<b>47,063</b>
<b>2021</b>							
At beginning of year	4,000	15,252	405	4,742	3,231	66	27,696
Additional provisions	–	10,360	241	–	2,345	1,080	14,026
Amounts used (payments)	–	(8,212)	–	–	–	–	(8,212)
Remeasurement effects	–	–	–	(1,005)	–	–	(1,005)
<b>Total other provisions at end of year</b>	<b>4,000</b>	<b>17,400</b>	<b>646</b>	<b>3,737</b>	<b>5,576</b>	<b>1,146</b>	<b>32,505</b>

### Nature and purpose of provisions

#### Provision for Rent Waivers

Other provisions incorporate a provision for rental waivers related to Covid-19 impacts on commercial property tenancies. Council applied the *the National Code of Conduct for commercial tenancies*, which was in effect until March 2021, and subsequently extended similar rental relief provisions beyond that time. As waiver eligibility is confirmed, property debts are

## C3-5 Provisions (continued)

adjusted, or in cases where tenants do not meet the requirements for rental waivers, the provision will be (partially) reversed to income.

### Asset remediation

Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

### Superannuation

Council records its assets and liabilities in respect of a Pooled Fund comprising closed NSW public sector superannuation schemes. Council's liability (or asset) position at 30 June is advised by the Fund's actuary.

### Public liability and Workers Compensation

Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.

### Other

Other provisions include additional rental related provisions, reflecting anticipated credit notes to be issued to tenants in a future accounting period. An additional provision has been raised at 30 June 2022 in respect of employee entitlements potentially under paid in previous financial years, expected to be settled in the 2022/23 financial year.

## Provisions for close-down and restoration, and environmental clean-up costs

### Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

### Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

### Self-insurance

Council has decided to self-insure for various risks, including public liability, workers compensation and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note C1-3.

## Defined Benefit Plans - additional disclosures

### A) Multi-Employer Pooled Fund

Council participates in an employer sponsored Defined Benefit Superannuation Scheme that is a multi-employer plan.

*a) Funding arrangements, including the method used to determine the rate of contributions and any minimum funding requirements.*

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

## C3-5 Provisions (continued)

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times member contributions for non-180 Point Members; nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

*\*For 180 Point Members, Employers are required to contribute 7.5% of salaries for the year ended 30 June 2022 (increasing to 8.0% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.*

The additional lump sum contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum from 1 July 2019 to 31 December 2021, and \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These lump sum contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

*b) Extent to which Council may be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.*

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

*c) Description of any agreed allocation of a deficit or surplus on:*

*(i) wind-up of the plan*

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

*(ii) entity's withdrawal from the plan*

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

*(d) Further information relating to Council accounting for the pooled employer fund as a defined contribution plan:*

*(i) the fact that the plan is a defined benefit plan.*

Council confirms that the plan is a defined benefit plan.

*(ii) why sufficient information is not available to enable Council to account for the plan as a defined benefit plan.*

(1) Assets are not segregated within the sub-group according to the employees of each sponsoring employer;

(2) The contribution rates have been the same for all sponsoring employers and have not varied for each employer according to the experience relating to the employees of that employer;

(3) Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and

(4) The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors set out above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by the members). As such there is insufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would be for a single employer sponsored defined benefit plan. Paragraph 34 of AASB 119 therefore applies, with the disclosures herein reflecting the requirements of paragraph 148 of AASB 119.

*(iii) the expected contribution to the plan for the next annual reporting period*

The expected contributions by Council to the Fund for the next annual reporting period are \$1.864M.

*(iv) information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.*



## C3-5 Provisions (continued)

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

<b>Defined Benefit reserves only (excluding other accumulation amounts in both assets and liabilities)</b>	<b>\$M</b>	<b>Asset Coverage</b>
Assets	2,376.6	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

The key economic long-term assumptions used to calculate the present value of accrued benefits are:

Investment return	5.5% p.a.
Salary inflation (plus promotional increases)	3.5% p.a.
Increase in CPI	2.5% p.a.

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all relevant information have been received by the Fund's Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2022.

(v) *an indication of the level of Council's participation in the plan compared with other participating entities.*

Council's participation in the Scheme compared with other entities is about 4.82%, based on the Council's current level of annual past service contributions of \$0.965M against total contributions of \$20.0M. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA as at 30 June 2021.

### B) Defined Benefit Pooled Fund

Council participates in a Pooled Fund comprising closed NSW public sector superannuation schemes.

*Nature of the benefits provided by the fund:*

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)

The schemes are all defined benefit schemes with a component of the final benefit being derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement or withdrawal. All the Schemes are closed to new members. While Council records its assets and liabilities in respect of this Pooled Fund in accordance with the requirements of AASB 119 Employee Entitlements (refer to Note C3-5 - Provisions - Superannuation), they are not material in relation to Council's total assets and liabilities. As a consequence, the Defined Benefit disclosures of AASB 119 have not been included as the associated assets and liabilities are not material.

### Accounting policy

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

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

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

## C4 Reserves

### C4-1 Nature and purpose of reserves

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#### **IPPE Revaluation reserve**

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of Council-owned infrastructure, property, plant and equipment.

#### **Trust assets reserves**

The Trust Assets Reserve represents the total fair value of trust land assets (such as Crown Reserve Trusts and land parcels owned by third parties) that have come under the management control of Council at no acquisition cost and which have subsequently been revalued to fair value. These assets are owned by external entities (including State and Federal Governments) and are effectively controlled by the City as custodians or Reserve Trust manager.

## D Council structure

### D1 Results by fund

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Council utilises only a general fund for its operations.

### D2 Interests in other entities

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Council has no interest in any controlled entities, joint arrangements or associates.

### D3 Discontinued operations

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Council has not classified any of its operations as 'discontinued'.

## E Risks and accounting uncertainties

### E1-1 Risks relating to financial instruments held

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

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council. Financial risk management is carried out by Council's Chief Finance Office under policies approved by the Council.

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

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

<b>\$ '000</b>	<b>Carrying value 2022</b>	<b>Carrying value 2021</b>	<b>Fair value 2022</b>	<b>Fair value 2021</b>
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	<b>63,790</b>	51,051	<b>63,790</b>	51,051
Receivables <sup>1</sup>	<b>64,528</b>	86,562	<b>64,528</b>	86,562
Investments				
– Debt securities at amortised cost	<b>651,250</b>	604,204	<b>650,791</b>	605,539
Contract assets	<b>23,560</b>	17,195	<b>23,560</b>	17,195
<b>Total financial assets</b>	<b>803,128</b>	<b>759,012</b>	<b>802,669</b>	<b>760,347</b>
<b>Financial liabilities</b>				
Payables	<b>101,190</b>	100,826	<b>101,190</b>	100,826
Lease liabilities	<b>11,756</b>	13,163	<b>11,756</b>	13,163
<b>Total financial liabilities</b>	<b>112,946</b>	<b>113,989</b>	<b>112,946</b>	<b>113,989</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – carrying value is estimated to approximate fair value.
- **Held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. Council's Chief Finance Office manages the cash and investments portfolio.

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

The risks associated with the instruments held are:

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

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers from time to time, when considering certain investment opportunities.

## E1-1 Risks relating to financial instruments held (continued)

(1) Excludes GST receivable

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

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement <sup>1</sup>	7,140	6,538
Impact of a 10% movement in price of investments		
– Equity / Income Statement <sup>2</sup>	–	–

(1) Note that the average rate of investment return for 2020/21 was 0.64%. A 1% reduction in interest rates would have required the unlikely event of negative interest rates. Interest rates have subsequently improved during 2021/22.

(2) For the financial years shown, all investments were held at amortised cost, based on Council's investing business model. Accordingly, fluctuations in market value are not expected to have any impact on Net Surplus or Equity; all investments are due to mature at their face value.

### (b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees, rental debtors and future works in kind contributions receivable.

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk, other than Council has significant credit risk exposures in its local area given the nature of the business.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

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

#### Credit risk profile

#### Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges < 5 years	≥ 5 years	Total
<b>2022</b>				
Gross carrying amount	–	7,321	93	7,414
<b>2021</b>				
Gross carrying amount	–	8,079	87	8,166

## E1-1 Risks relating to financial instruments held (continued)

### Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due. For the assessment of expected credit losses at 30 June 2022, consideration was given to the ongoing impact of the Covid-19 pandemic on default rates.

The loss allowance provision as at 30 June 2022 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	73,827	3,731	343	748	5,685	84,334
Expected loss rate (%)	0.00%	2.98%	9.91%	36.98%	56.95%	4.34%
ECL provision	—	111	34	277	3,238	3,660
2021						
Gross carrying amount	85,230	7,707	244	865	5,004	99,050
Expected loss rate (%)	0.00%	4.45%	9.84%	35.39%	55.70%	3.49%
ECL provision	—	343	24	306	2,787	3,460

### (c) Liquidity risk

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

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

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

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting. Refer to C2-1(b) for lease liabilities.

	<i>Weighted average interest rate</i>	<i>Subject to no maturity</i>	<i>≤ 1 Year</i>	<i>payable in: 1 - 5 Years</i>	<i>&gt; 5 Years</i>	<i>Total cash outflows</i>	<i>Actual carrying values</i>
<i>\$ '000</i>							
2022							
Payables	0.00%	28,323	72,867	–	–	101,190	101,190
Total financial liabilities		28,323	72,867	–	–	101,190	101,190
2021							
Payables	0.00%	30,311	70,513	–	–	100,824	100,824
Total financial liabilities		30,311	70,513	–	–	100,824	100,824

## E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property

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

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

Those assets classified as held for sale represent property sales where a financial offer has been accepted and/or settlement is expected within the next 12 months. The assets were transferred from the Operational Land and Intangible Assets classes, having been most recently revalued at the dates noted in Note E2-1.

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

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

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

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

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

Details of the asset and liability classes measured and recognised by Council at fair value are shown on the following pages.

		Fair value measurement hierarchy					
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021
Recurring fair value measurements							
Investment property	C1-9						
Investment property portfolio		399,172	384,259	–	–	399,172	384,259
Total investment property		399,172	384,259	–	–	399,172	384,259
Infrastructure, property, plant and equipment (I,P,P&E)							
	C1-8						
Plant and equipment		–	–	39,496	41,188	39,496	41,188
Office equipment		–	–	10,315	7,794	10,315	7,794
Furniture and fittings		–	–	12,620	16,020	12,620	16,020
Operational land		1,730,596	1,752,239	64,711	55,300	1,795,307	1,807,539
Community land		–	–	2,513,350	2,493,983	2,513,350	2,493,983
Crown and third party owned land		–	–	2,996,631	3,013,891	2,996,631	3,013,891
Land under roads (post 30/6/2008)		–	–	119,646	109,674	119,646	109,674
Open space		–	–	286,975	277,786	286,975	277,786
Buildings – non specialised		588,088	573,953	1,094,242	991,220	1,682,330	1,565,173
Buildings – specialised		294	186	30,318	26,875	30,612	27,061
Other structures – poles & lights		–	–	85,399	81,897	85,399	81,897
Other structures – signs		–	–	26,180	24,949	26,180	24,949
Other structures – trees		–	–	138,070	120,861	138,070	120,861
Roads, bridges, footpaths, kerbs		–	–	1,390,043	1,290,426	1,390,043	1,290,426
Stormwater drainage		–	–	344,054	301,794	344,054	301,794
Heritage collections		–	–	9,669	9,598	9,669	9,598
Library books		–	–	1,866	2,143	1,866	2,143
City art		–	–	48,961	48,441	48,961	48,441
Total I,P,P&E		2,318,978	2,326,378	9,212,546	8,913,840	11,531,524	11,240,218

## E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021
Non-recurring fair value measurements							
Non-current assets classified as held for sale	C1-7						
Land		8,476	17,906	—	—	8,476	17,906
Intangible assets - transferable rights		18,361	17,693	—	—	18,361	17,693
Total NCA's classified as held for sale		26,837	35,599	—	—	26,837	35,599

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

No transfers occurred between level 1 and level 2 fair value hierarchies during the year.

### Valuation techniques

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

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

#### Financial assets

Commencing 1 July 2018, in accordance with AASB 9, Council holds all investments at amortised cost. The Council's business model for investing is to hold term deposits and securities to maturity, redeeming the face value at that time.

#### Investment property

Fair value of investment properties is estimated based on appraisals performed by an independent and professionally qualified property valuer. The appraisal adopted the capitalised income approach as the valuation methodology whereby a yield is applied to the property's income to assess its value. The yield applied to the rental return is based on analysis of sales and or leasing data and is calculated by dividing the rental return from comparable sales against sale price (initial yield). Where analysis indicated that income from a sale property was not at market levels at the time of sale, the income was adjusted to reflect market returns.

#### Infrastructure, property, plant and equipment (IPPE)

##### Plant & Equipment, Office Equipment, Furniture & Fittings, Library Resources

The Cost Approach is used for these asset classes, based on depreciated original cost representing fair value. The assets are primarily for operational purposes and are not of a nature where valuation increments are likely.

Fair value is adjusted by depreciation representing the wear and tear of the assets based on the estimated useful life of the asset. The valuation process is conducted by Council staff.

##### Buildings (Specialised and Non-Specialised)

Valuations of all building assets were undertaken by an external, qualified valuer (APV Valuers and Asset Management in 2020/21). In accordance with the brief provided to APV, valuations are compliant with AASB 13 - Fair Value.

Depending upon the unique circumstances of the building asset and other structure, each has been valued using a range of approaches:

- Market approach: favoured approach, applied where there is a principal market which provides observable evidence of the Fair Value of the asset.
- Income approach: utilised for assets where the income generating capability of the asset provides the best estimate of the assets' Fair Value.
- Cost approach: used for assets which are not income-generating and/or for which comparable sales evidence does not exist. These assets, largely within Specialised Buildings, have a particular use for delivery of services (e.g. grandstands, amenities blocks).
- In rare circumstances the valuation may also include a combination of approaches



## E2-1 Fair value measurement (continued)

The valuations are based on a range of inputs. Some inputs may be gathered at a high level prior to application of inputs at the Asset or Component Level.

Inputs to the valuation supported by observable evidence obtained via inspection and market evidence have been classified as Level 2 inputs. These include sales data, market and current rental income data, design and construction costs, average cost of construction, condition and consumption scores for each component as well as the dates of acquisition and decommissioning. The unobservable inputs (such the relationship between condition and the assessed level of remaining service potential of the depreciable amount required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs. An interim valuation adjustment of approximately 7.5% was made at 30 June 2022 to reflect indicative movements in market value and replacement cost in 2021/22.

### Operational Land

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified property valuer (APV) in 2020/21. Land valuations take into consideration the characteristics of the land, such as size, zoning, topography, configuration etc. Depending upon the unique circumstances of each lot, land has been valued using one of the following approaches:

- Direct comparison to sales approach: The most widely used (and preferred) approach. Recent sales of similar properties are utilised as indicative of value, with site-specific characteristics allowed for.
- Hypothetical Development approach: in limited cases, where the highest value of land may be obtained through (notional) development, a realisable development value (less developer's margin) is taken as the fair value of the land parcel. The applicable planning controls for the site are taken into consideration.
- Value to an Adjoining Owner approach: in limited cases where there is no open market for a parcel, it may hold commercial value to an adjoining land owner. Value is considered to be the difference between the value of the adjacent land parcel with and without the subject parcel being included
- Nominal Value approach: sites with limited or no commercial utility (standalone or to adjacent owner) were valued at a nominal cost of acquisition (\$1,000)

The Hypothetical Development, Value to an Adjoining Owner and Nominal Value approaches all incorporate unobservable inputs, however the majority of valuations for the class reflect Level 2 (observable) inputs.

### Community Land (Council-owned)

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified property valuer (Australian Pacific Valuers, APV) in 2020/21. Land valuations take into consideration the characteristics of the land, such as size, zoning, topography, configuration etc. Land parcels were valued by APV in a manner consistent with Operational Land (as described above). Based on the unique circumstances of each lot, one of the following approaches was applied:

- Direct comparison to sales approach
- Hypothetical Development approach
- Value to an Adjoining Owner approach
- Nominal Value approach

The Hypothetical Development, Value to an Adjoining Owner and Nominal Value approaches all incorporate unobservable inputs.

A significant unobservable input is a discount (25% reduction) applied to the land values provided by APV, in recognition of the 'restrictions' associated with community land, in particular the lack of ability to sell the land or put it to an alternative purpose.

### Crown and Third party owned Land (Council-controlled)

Consistent with the Office of Local Government Code of Accounting Practice and Financial Reporting, Crown Reserves under Council's care and control are recognised as assets of the Council. Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified property valuer (APV) in 2020/21, with a further adjustment made to 'discount' these valuations (50% reduction) in order to reflect implicit restrictions associated with the land type (specifically, Council's lack of ownership interest and ability to sell the land or put it to an alternative purpose). This discount is an unobservable input, applied to the observable inputs used by the external valuer (consistent with the Operational and Community Land classes).

### Land Under Roads (post 30/06/2008)

Council utilises the 'englobo' valuation methodology for Land Under Roads, as allowable under the Office of Local Government Code of Accounting Practice and Financial Reporting. The approach utilises the average land valuation rate from the NSW Valuer-General for the Local Government Area, and applies a 90% 'discount' to reflect the restrictions' inherent to land under roads (in particular, the difficulty associated with sale or transfer).

### Infrastructure – Roads, Bridges, Footpaths, Signs, Poles & Lights, Stormwater Drainage

Fair value of these asset classes is determined on the current replacement cost (CRC) approach, being the amount that would be required to replace the current service capacity of an asset. CRC is determined with reference to current third party asset works contracts and the assessed remaining service potential of the assets. Signs and Poles & Lights were revalued in 2019/20, using updated unit rates, and available condition assessment data. The remaining infrastructure asset classes

## E2-1 Fair value measurement (continued)

were revalued in 2021/22. Key data inputs informing valuation calculations – asset quantities, materials and conditions – were compiled by Council staff utilising external consultant reports where available.

### Open Space & Recreational Assets

Fair value of these asset classes is determined on the current replacement cost approach substantially based on replacement costs determined with reference to current third party asset replacement contracts. These standard unit rates are a significant unobservable input and reflect an estimate determined by internal staff. An additional estimate relates to the assessed condition of assets, which is used to determine the expected remaining useful life (and accordingly the accumulated depreciation) of assets. Gross replacement cost less accumulated depreciation is considered to reflect fair value. The Open Space asset class was revalued on this basis at 30 June 2021.

### Trees

Fair value of these asset classes is determined on the current replacement cost approach based on replacement costs determined with reference to current third party asset replacement contracts. This incorporates the supply cost, cost of associated base/planting works and establishment costs associated with the initial period after planting. Valuations are undertaken by Council staff. The Open Space asset class was revalued on this basis at 30 June 2022.

### Heritage Collections and City Art

Fair value of these asset classes are estimated based on appraisals performed by independent and professionally qualified valuers. These assets are considered to be 'specialised' in nature, and accordingly depreciated replacement cost is utilised as the methodology to determine fair value, consistent with previous revaluations. Replacement cost estimates incorporate unobservable inputs, being an estimated amount that one would expect to pay for the same or similar item in a retail setting from a reputable merchant, or the cost to rebuild/replace with an equivalent asset at the date of valuation. Both asset classes were revalued at 30 June 2021.

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

The assets classified as 'held for sale' at 30 June 2022 (and comparative year ended 30 June 2021) comprised only Operational Land and Intangible (transferable rights) assets, based on divestment status at balance date. Valuation techniques for Operational Land are consistent with those described above, while Transferable Heritage Floor Space rights are valued at the prevailing market rate at the time of those rights being awarded (i.e. at the time of recognition).

## Highest and best use

The following non-financial assets of Council are being utilised in a manner that does not generate commercial revenue:

### Community based assets

Council undertakes a number of services with the intention of providing community benefits to residents, workers and visitors. These services are based meeting essential community needs and are not of a nature that would be provided in a commercially competitive environment.

Land under the asset class includes Crown land (and other third-party owned land) under Council's care and control as well as Council-owned land that has been classified as community land under the provisions of the Local Government Act 1993. Furthermore, Council has a number of buildings that are applied in delivering community services. The restrictions on the land and the community use of the buildings in delivering community based services is considered to be the 'highest and best use' of those assets to Councils.

### Land Under Roads

Land holdings under the Land Under Roads asset class comprise parcels of land acquired by (or dedicated to) Council after 30 June 2008. The englobo methodology applied to valuations is intended to reflect the inherent restriction on land that is used for the purpose of roads. The continued use of this land for the purposes of road, footpath, cycleway and stormwater drainage (as applicable) is considered to be 'highest and best use'.

## E3-1 Contingencies

### LIABILITIES NOT RECOGNISED

#### 1. Potential benefits to Council

Council is pursuing its legal rights to income in relation to the agreed placement of the operational assets of third parties on Council owned property. The amount was not quantifiable at balance date.

#### 2. Self insurance – Workers Compensation

Council has decided, on the basis of proper risk management practices, to carry its own insurance in regard to worker's compensation. A provision for self insurance has been made to recognise outstanding claims, based on actuarial recommendation, the amount of which is detailed in Note C3-5.

As a self-insurer, Council is required to lodge a bank guarantee with the State Insurance Regulatory Authority (SIRA). At 30 June 2022, bank guarantees of \$17.4M were held by the SIRA, and the Authority is currently reviewing whether any additional assurance is required.

All other insurance risks, including workers compensation claims above \$600,000 for those received prior to 31 March 2022 and above \$1,000,000 for those received after that date, are covered by external companies. Note that a new insurance cover was contracted from 1 April 2022. The higher excess is reflective of recent market changes.

#### 3. Infringement Notices/Fines

Fines & Penalty Income, resulting from Council issuing Infringement Notices, is followed up and collected by the State Debt Recovery Office. Council's Revenue Recognition policy for such income is to account for it as revenue when the penalty is applied to the extent of expected recovery rates (determined in accordance with past experience).

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid Infringement Notices that are in excess of the accrued revenue recognised in the accounts.

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

#### 4. Proposed Land Transfers between NSW Government Authorities and Council

Council has previously agreed to proceed with a transfer of public assets from NSW State Government Agencies. Certain parcels of land have transferred to Council by agreement with the relevant NSW State Government agencies, reflected as non-cash contributions income as applicable. The completion of the remaining transfers of assets is subject to the fulfilment of specific conditions. The value of these assets cannot be quantified at this time, as they are subject to assessment of age and condition at the time of transfer.

#### 5. Superannuation – Defined Benefits Schemes

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefit, as defined in the Trust Deed, as they accrue.

Council has an ongoing obligation to share in the future rights and liabilities of the Scheme. Favourable or unfavourable variations may arise should the financial requirements of the Scheme differ from the assumptions made by the Scheme's actuary in estimating the accrued benefits liability. Further disclosure relating to defined benefits schemes is shown at Note C3-4.

#### 6. Developer Contributions Plans and Planning Agreements

Council levies infrastructure contributions upon various development across the Council area through the requisite Contributions Plans (Section 7.11, 7.12 and 61) and through Voluntary Planning Agreements (VPAs, Section 7.4).

As part of these Plans and VPAs, Council has received funds which are required to be expended only for the purposes for which they were levied (per the respective plans and VPAs). These Plans also indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or, where a shortfall exists, by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date but represent Council's intention to spend funds in the manner and timing set out in those Plans.

## E3-1 Contingencies (continued)

Planning Agreements may also make provision for the future delivery of assets to Council for dedication as community assets. The delivery of these assets remains contingent upon the developers actioning consent and they are not raised as receivable assets until all contingencies expire.

### 7. Heritage Floor Space - Council Properties

Changes to the Sydney Development Control Plan (2012) made by Council may result in the award of Heritage Floor Space (HFS) to Council, subject to:

- a) Council, in its capacity as property owner, making application for the award of HFS on an eligible building
- b) That application being assessed by Council, in its capacity as statutory authority, as meeting the relevant criteria to allow award of HFS

During 2021/22 financial year, as reflected in Note B2-3 and Note C1-10, no additional HFS awarded in respect of Council-owned property has been registered. Further awards on Council-owned properties are possible in future periods, subject to the assessment of the applications.

Valuation of any HFS awarded to/held by Council relies upon on available market evidence of recent sales by holders of HFS to developers.

### 8. Alternative Heritage Floor Space Allocation Scheme

Under Council's Alternative Heritage Floor Space Allocation Scheme, developers provide a bank guarantee for an agreed sum, to enable projects to proceed where the requisite Heritage Floor Space (HFS) allocation has yet to be secured. Should the heritage floor space allocation not be secured by the developer at a specific date, the guarantee will be claimed by Council, or a monetary payment made to Council for the equivalent value, with funds held as restricted assets, pending subsequent re-allocation to heritage works projects within the LGA.

At balance date, bank guarantees were held by Council for three development sites (totaling \$8.7M). A partial or full claim on the guarantees may be made at a future date, should the respective developers fail to secure the required HFS. Should the HFS be secured, the guarantee/s will be returned and no monetary payment by the developer/s will be required. To date, the City has received payment for eighteen developments where HFS was not secured within the requisite timeframe (\$75.2M received to date). Amounts received via the Alternative Heritage Floor Space Allocation Scheme are held as restricted cash in the Heritage Conservation Fund (refer Note C1-3). A corresponding liability amount, reflecting unearned revenue, is held until suitable projects are identified to utilize the Heritage Conservation Fund in the delivery of heritage renewal projects within Central Sydney. \$1.2M of eligible project expenditure was identified in 2021/22 financial year, reducing the balance of the Heritage Conservation Fund to \$74.0M as at 30 June 2022. A further \$3.5M in restoration projects expenditure budgeted in 2022/23, with additional projects identified over the life of Council's Long Term Financial Plan that will utilise the balance of the Heritage Conservation Fund over the next 10 years.

### 9. Review of Historical Superannuation

Council has commenced a review of its use of independent contractors and their superannuation entitlements under s12(3) of the Superannuation Guarantee (Administration) Act 1992, the Annual Holidays Act 1944, the Long Service Leave Act 1955, and the Workers Compensation Act 1987 to assess the extent of any potential liability. Independent contractors are engaged for irregular work requirements, to satisfy fluctuating community demands, or sporadic specialist assignments, where Council does not anticipate a regular ongoing need for employment into the future. The review will assess the individual circumstances relevant to each contractor engagement. The amount of potential liability was not quantifiable at balance date.

## F People and relationships

### F1 Related party disclosures

#### F1-1 Key management personnel (KMP)

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

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

\$ '000	2022	2021
<b>Compensation:</b>		
Short-term benefits	3,536	3,969
Post-employment benefits	411	387
<b>Total</b>	<b>3,947</b>	<b>4,356</b>

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

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

#### F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Councillor expenses – Lord Mayoral fee	227	223
Councillors' fees	402	407
Other Councillors' expenses (including Mayor)	168	206
<b>Total</b>	<b>797</b>	<b>836</b>

## F2 Other relationships

### F2-1 Audit fees

\$ '000	2022	2021
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During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms.

#### Auditors of the Council - NSW Auditor-General:

Audit and review of financial statements	236	217
<b>Remuneration for audit and other assurance services</b>	<b>236</b>	<b>217</b>
<b>Total Auditor-General remuneration</b>	<b>236</b>	<b>217</b>
<b>Total audit fees</b>	<b>236</b>	<b>217</b>

## G Other matters

### G1-1 Statement of Cash Flows information

#### (a) Reconciliation of net operating result to cash provided from operating activities

\$ '000	2022	2021
<b>Net operating result from Income Statement</b>	<b>64,950</b>	195,626
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	108,153	122,011
(Gain) / loss on disposal of assets	(11,029)	(20,740)
Non-cash capital grants and contributions	(8,502)	(106,748)
Acquisition of heritage floor space rights (via award)	–	(44,064)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(13,980)	(39,004)
Amortisation of premiums, discounts and prior period fair valuations		
– Financial assets at amortised cost / held to maturity (2021)	3	3
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	13,167	2,979
Increase / (decrease) in provision for impairment of receivables	200	116
(Increase) / decrease of inventories	–	(1)
(Increase) / decrease of other current assets	(817)	(1,112)
(Increase) / decrease of contract asset	(2,764)	(913)
Increase / (decrease) in payables	(9,466)	(1,857)
Increase / (decrease) in other accrued expenses payable	2,167	(1,497)
Increase / (decrease) in other liabilities	(590)	7,863
Increase / (decrease) in contract liabilities	26,940	33,354
Increase / (decrease) in employee benefit provision	(3,400)	(376)
Increase / (decrease) in other provisions	14,559	4,810
<b>Net cash flows from operating activities</b>	<b>179,591</b>	<b>150,450</b>

#### (b) Non-cash investing and financing activities

Developer contributions 'in kind'	2,552	18,735
Asset transfers arising from Sydney Light Rail project	–	78,396
Award of heritage floor space	–	44,064
Other dedications and non-cash contributions	5,950	9,617
<b>Total non-cash investing and financing activities</b>	<b>8,502</b>	<b>150,812</b>

## G2-1 Commitments

### Capital commitments (exclusive of GST)

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

#### Property, plant and equipment

Buildings	<b>35,398</b>	18,316
Infrastructure – Roads, Bridges, Footways, Kerb and Gutter	<b>38,179</b>	55,164
Open Space	<b>8,569</b>	18,977
Plant and equipment	<b>3,176</b>	4,956
Public Art	<b>2,683</b>	2,398
Stormwater Drainage	<b>9,485</b>	10,070
Other	<b>2,613</b>	2,950
<b>Total commitments</b>	<b>100,103</b>	<b>112,831</b>

#### These expenditures are payable as follows:

Within the next year	<b>75,265</b>	90,796
Later than one year and not later than 5 years	<b>24,134</b>	21,552
Later than 5 years	<b>704</b>	483
<b>Total payable</b>	<b>100,103</b>	<b>112,831</b>

#### Sources for funding of capital commitments:

Unrestricted general funds	<b>100,103</b>	112,831
<b>Total sources of funding</b>	<b>100,103</b>	<b>112,831</b>

#### Details of capital commitments

Capital commitments at balance date comprise purchase orders raised by Council to suppliers for goods/services yet to be delivered at balance date. Subject to fulfilment of contractual obligations by suppliers, Council expects that the committed sums will be paid in accordance with the above timelines and expenditure types



## G3-1 Events occurring after the reporting date

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Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

## G4 Changes from prior year statements

### G4-1 Changes in accounting policy

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Council made no changes of accounting policy for the reporting periods shown.

### G4-2 Correction of errors

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Council made no correction of errors during the current reporting period.

### G4-3 Changes in accounting estimates

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#### Nature and effect of changes in accounting estimates on current year

##### Update to Asset Useful Lives

Effective 1 July 2021 useful lives of certain assets were updated in accordance with advice from external valuation consultants and Council's asset managers. This generally involved an increase to asset useful lives, reflected in reduced depreciation rates applied to certain assets. The affected asset classes are listed below, along with the estimated increases/ (decreases) to depreciation expense in 2021/22 resulting from changes (amounts in \$ '000):

Buildings - non-specialised	(3,971)
Buildings - specialised	26
Infrastructure - Roads, Bridges, Footways, Kerbs	(3,074)
Open Space/recreational assets	(7,376)
Other structures - poles and lights	(4,631)

The updates were applied prospectively, with effect from 1 July 2021, and will have a continuing impact upon depreciation expense until any subsequent review/update of useful lives is undertaken.

## G5-1 Summary of developer contributions

	at 30/06/2021			as at 30/06/2022				
	Opening Balance	Cash	Non-cash	Interest earned in year	Expenditure/ asset received during year	Internal Borrowing to/(from)	Held as restricted asset <sup>5</sup>	Cumulative internal borrowings (owed)/repayable
<b>\$ '000</b>								
Community facilities	32	587	-	-	-	(587)	32	22,505
Open space	221	2,322	-	-	(3,471)	1,148	221	(36,687)
Stormwater drainage	2	561	-	-	-	(561)	2	24,461
Traffic and transport	52	1,403	-	-	(1,403)	-	52	(10,279)
<b>Total section 7.11 revenue under plans<sup>1</sup></b>	<b>307</b>	<b>4,874</b>	<b>-</b>	<b>-</b>	<b>(4,874)</b>	<b>-</b>	<b>307</b>	<b>-</b>
Section 7.12 contributions <sup>2</sup>	-	7,138	-	-	(7,138)	-	-	
Section 7.4 planning agreements - public benefits <sup>3</sup>	68,499	25,114	2,552	254	(31,033)	-	65,386	
Section 61 contributions <sup>4</sup>	-	14,044	-	-	(14,044)	-	-	
<b>Total contributions</b>	<b>68,806</b>	<b>51,169</b>	<b>2,552</b>	<b>254</b>	<b>(57,088)</b>	<b>-</b>	<b>65,693</b>	<b>-</b>
<i>Comprising:</i>								
<b>Cash contribution movement</b>	<b>30,903</b>	<b>51,169</b>		<b>254</b>	<b>(45,986)</b>	<b>-</b>	<b>36,340</b>	<b>-</b>
Section 7.11	-	4,874		-	(4,874)	-	-	-
Section 7.12	-	7,138		-	(7,138)	-	-	
Section 7.4 - planning agreements	30,903	25,114		254	(19,931)	-	36,340	
Section 61	-	14,044		-	(14,044)	-	-	
<b>Contribution receivable movement</b>	<b>37,903</b>	<b>-</b>	<b>2,552</b>		<b>(11,102)</b>	<b>-</b>	<b>29,353</b>	
Section 7.11	307	-	-		-	-	307	
Section 7.4 - planning agreements	37,596	-	2,552		(11,102)	-	29,046	
<b>Total contributions</b>	<b>68,806</b>	<b>51,169</b>	<b>2,552</b>	<b>254</b>	<b>(57,088)</b>	<b>-</b>	<b>65,693</b>	<b>-</b>

<sup>1</sup> Section 7.11 of the *Environmental Planning and Assessment Act 1979*. City of Sydney operates only one section 7.11 contributions plan (the City of Sydney Developer Contributions Plan 2015). Under the *Environmental Planning and Assessment Act 1979*, Council levies contributions towards provision or improvement of amenities or services infrastructure associated with development. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

<sup>2</sup> Section 7.12 of the *Environmental Planning and Assessment Act 1979*.

<sup>3</sup> Section 7.4 of the *Environmental Planning and Assessment Act 1979*. Note: the schedule above reflects only public benefit contributions received under Voluntary Planning Agreements (VPAs). VPAs are also utilised in respect of the Alternative Heritage Floorspace scheme, which may result in receipts to the Heritage Conservation Fund. Refer Notes C3-2 and E3-1 for further information.

<sup>4</sup> Section 61 of the *City of Sydney Act 1988*.

<sup>5</sup> Restricted assets comprise unspent cash contributions and works-in-kind/cash contributions receivable that have been secured by bank guarantee/security deposit

## Voluntary Planning Agreements

Planning agreements (also commonly referred to as VPAs) are voluntary agreements entered into by the City and a developer to deliver public benefits. These may include the dedication of land to Council, monetary contributions, public infrastructure, community facilities, affordable housing, any other material public benefit or any combination of these.

In respect of monetary contributions, the VPA documents detail the particular purpose for which the contributions are to be utilised. Council monitors receipts and expenditure by purpose, and any funds yet to be expended on nominated works are held as restricted assets.

### Summary of VPA monetary contribution expenditure

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
<b>Monetary contributions expended during year – by purpose</b>		
New roads, stormwater drainage and facilities in the Green Square Town Centre and Urban Renewal area	4,000	1,200
New greenway and public park works, Rosebery	380	596
City East PCTC works	256	-
Ultimo area LATM (Local Area Traffic Management) works	865	-
Macquarie Place upgrade	130	-
Business Innovation Space George Street - fitout works	300	-
Alexandria precinct local area traffic management	-	524
New roads infrastructure in the Ashmore precinct, Erskineville	-	720
<b>Total expenditure - VPA monetary contributions</b>	<b>5,931</b>	<b>3,040</b>

### Summary of Unspent VPA monetary contributions

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
<b>Unspent Monetary Contributions (held as restricted cash) – by purpose (as described in the VPA):</b>		
New roads, stormwater drainage and facilities in the Green Square Town Centre and Urban Renewal area	2,493	4,278
New greenway and public park works, Rosebery	3,921	4,274
Rosebery area works	361	359
New roads infrastructure in the Ashmore precinct, Erskineville	1,190	1,181
CBD Laneways (Dalley & Underwood) and surrounding public domain	3,185	3,163
Public domain enhancement in Bridge/Loftus St vicinity (CBD)	6,469	6,424
Macquarie Place upgrade	1,356	1,476
Broadway Gateways	164	163
Stormwater works - Rushcutters Bay catchment	492	488
Chippendale community facility(s)	3,904	3,877
Public domain works - Sydney University to Redfern Station	2,708	2,690
Community infrastructure	258	200
Harbour Walk public art program	1,218	1,209
Business Innovation Space George Street - fitout works	8,620	-
City East PCTC works	-	256
Ultimo Local Area Traffic Management	-	865
	<b>36,340</b>	<b>30,903</b>

## G6 Statement of performance measures

### G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 20212020		Benchmark
1. Operating performance ratio (excluding non-recurrent capital expenditure from Operating Expenses)					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(14,021)	(2.41)%	5.14%	0.29%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions	582,508				
1a. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1</sup>	(28,176)	(4.84)%	(1.25)%	0.51%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	582,509				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	563,286	86.46%	78.58%	85.78%	> 60.00%
Total continuing operating revenue <sup>1</sup>	651,492				
3. Unrestricted current ratio					
Current assets less all external restrictions <sup>3</sup>	624,861	4.17x	3.95x	4.35x	> 1.50x
Current liabilities less specific purpose liabilities	149,866				
3a. Unrestricted current ratio (less internal and external restrictions)					
Current assets less all external and internal restrictions	385,219	2.95x	3.14x	3.72x	> 1.50x
Current liabilities less specific purpose liabilities	130,437				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation	80,205	177.84x	258.47x	322.85x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	451				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	7,565	1.96%	2.16%	2.35%	< 5.00%
Rates and annual charges collectable	385,414				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	585,790	12.48 mths	10.83 mths	9.43 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	46,938				

(1) Continuing operating revenue also excludes fair value adjustments and reversal of revaluation decrements, and net gain/(loss) on sale of assets.

(2) Operating Performance Ratio 1 above excludes the operating expenditure impact of Council's contribution to Transport for NSW for the CBD to South East Light Rail Project (refer Note B3-2) and non-recurring expenses arising from major capital projects (related to expenditure on third party assets). Ratio 1a. is prepared in accordance with the OLG Code of Accounting Practice.

(3) Refer Notes C1-1 to C1-7 and C1-11.

(4) Refer to Notes C2-1 and C3-1 to C3-5.

(5) Refer to Notes C2-1 and C3-1 to C3-5 – also excludes all payables and provisions not expected to be paid in the next 12 months (incl. Employee Leave Entitlements).

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## G6-1 Statement of performance measures – consolidated results (continued)

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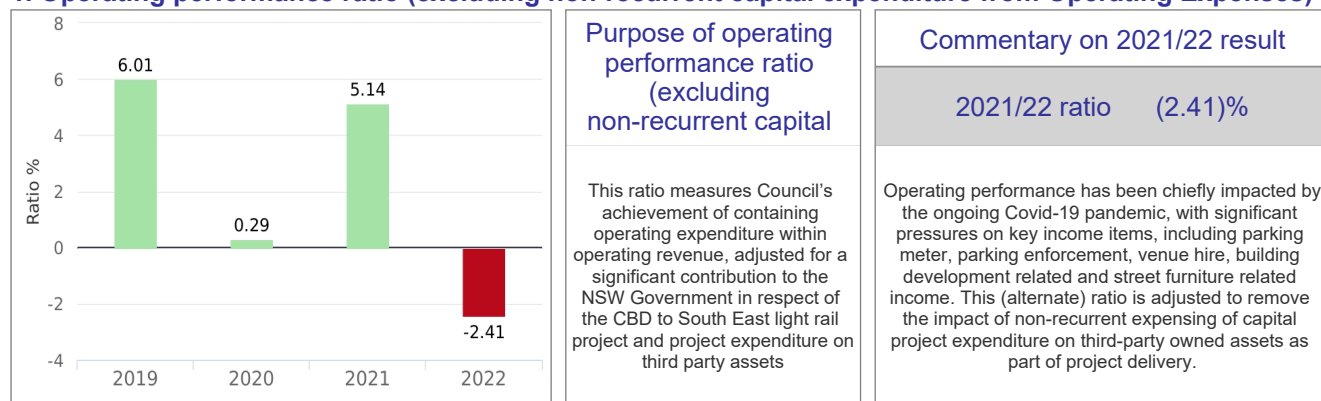
**END OF AUDITED FINANCIAL STATEMENTS** (Additional (non-audited) disclosure included at H1-1)

## H Additional Council disclosures (unaudited)

### H1-1 Statement of performance measures – consolidated results (graphs)

The charts presented below graphically present Council's performance measure results over time. Whilst this additional disclosure is not subject to audit, the results presented reflect audited ratio calculations (refer Note 31a).

#### 1. Operating performance ratio (excluding non-recurrent capital expenditure from Operating Expenses)



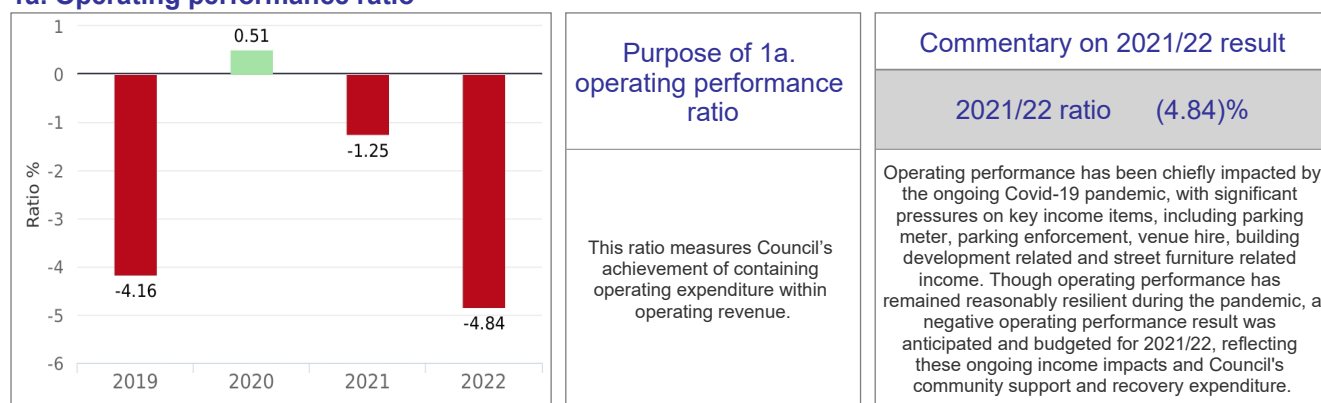
Benchmark: — > 0.00%

Source of benchmark:

Ratio achieves benchmark

Ratio is outside benchmark

#### 1a. Operating performance ratio



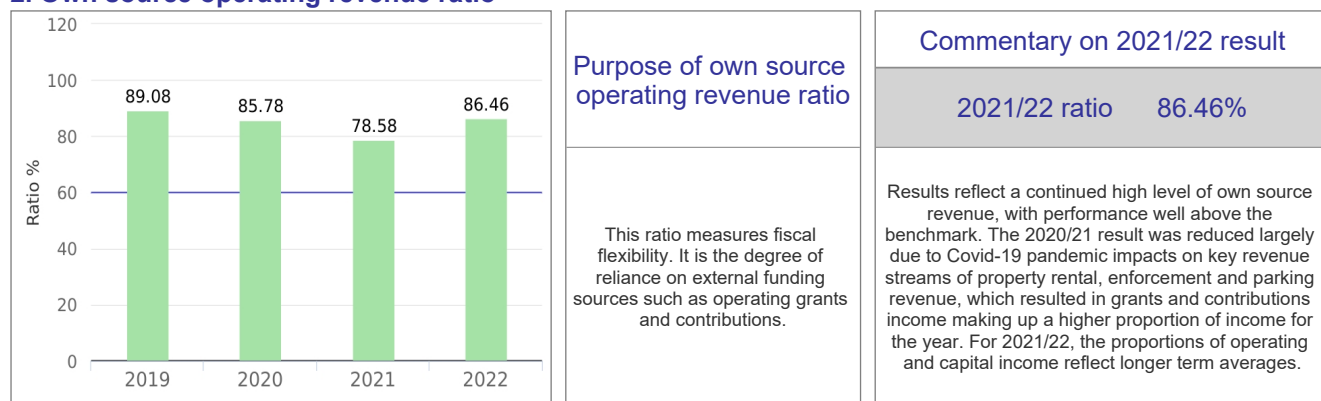
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 2. Own source operating revenue ratio



Benchmark: — > 60.00%

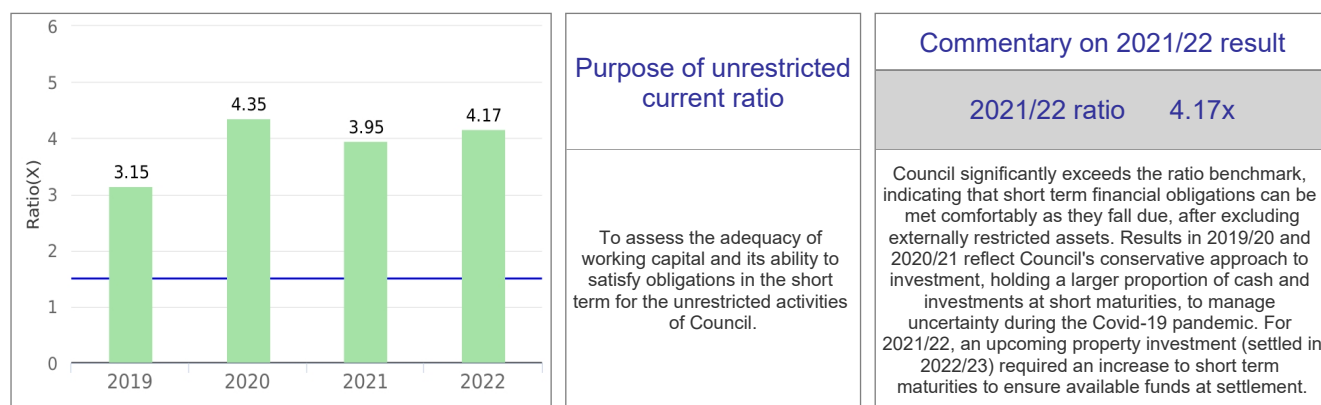
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

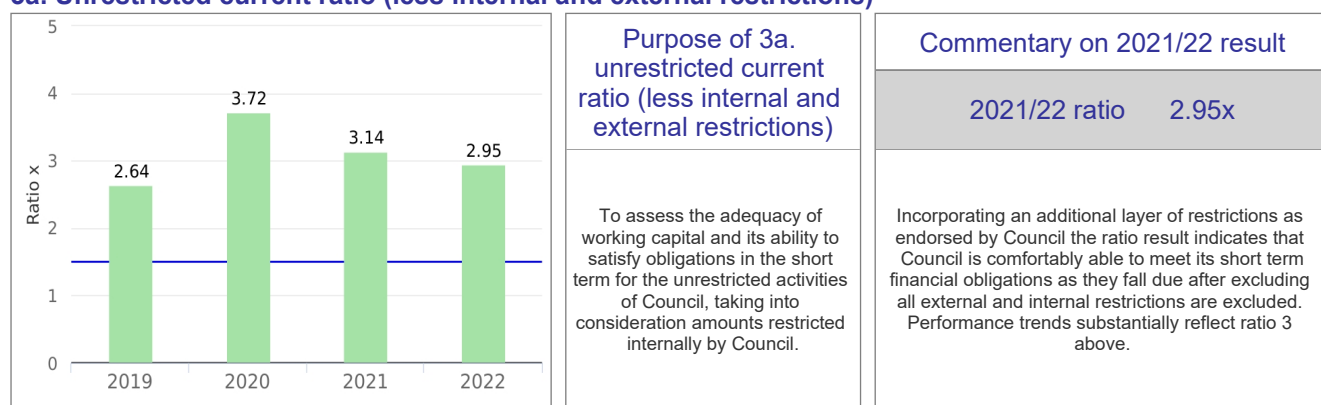
Ratio is outside benchmark

#### 3. Unrestricted current ratio

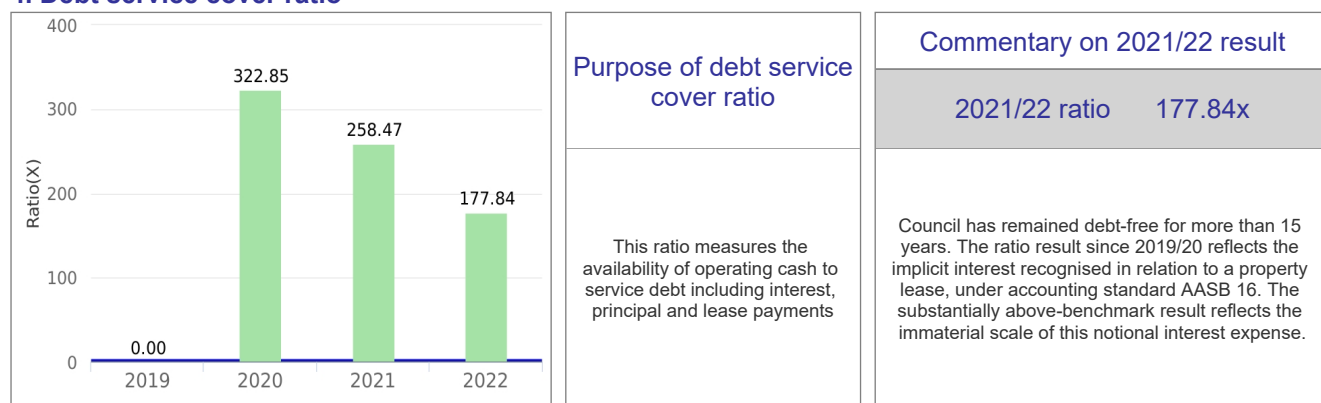
## H1-1 Statement of performance measures – consolidated results (graphs) (continued)



### 3a. Unrestricted current ratio (less internal and external restrictions)



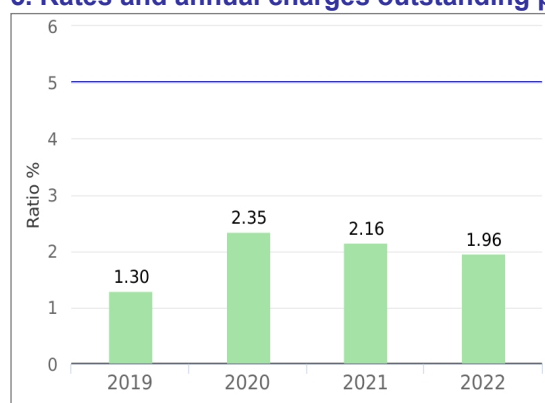
### 4. Debt service cover ratio





## H1-1 Statement of performance measures – consolidated results (graphs) (continued)

### 5. Rates and annual charges outstanding percentage



#### Purpose of rates and annual charges outstanding percentage

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

#### Commentary on 2021/22 result

2021/22 ratio 1.96%

The ratio remains well below the maximum OLG benchmark of 5% for metropolitan councils. Despite the financial pressures associated with the Covid-19 pandemic affecting the capacity of some ratepayers to meet installment payments, Council has maintained the level of outstanding rates and annual charges at a level favourable to benchmark.

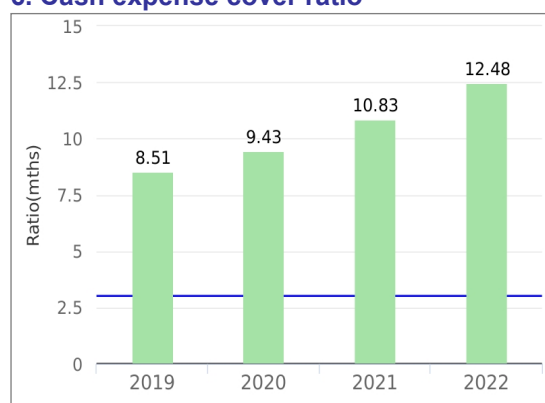
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 6. Cash expense cover ratio



#### Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

#### Commentary on 2021/22 result

2021/22 ratio 12.48 mths

The upward trend in performance since 2019/20 reflects Council's conservative approach to managing investment maturities and financial risk during the Covid-19 pandemic, and a move towards term deposit investments (included in this ratio), with limited Floating Rate Note (FRN) investments were brought to market. As forecast in Council's Long Term Financial Plan, the delivery of major projects over the next 5 years is expected to reduce cash and investment balances.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Council of the City of Sydney

To the Councillors of Council of the City of Sydney

### Opinion

I have audited the accompanying financial statements of the Council of the City of Sydney (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Margaret Crawford  
Auditor-General for New South Wales

1 November 2022  
SYDNEY



Clover Moore  
Lord Mayor  
Council of the City of Sydney  
Town Hall House  
Level 2, 456 Kent Street  
SYDNEY NSW 2000

Contact: Margaret Crawford  
Phone no: 02 9275 7101  
Our ref: D2220343/1791

1 November 2022

Dear Lord Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2022  
Council of the City of Sydney**

I have audited the general purpose financial statements (GPFS) of the Council of the City of Sydney (the Council) for the year ended 30 June 2022 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2022 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

## **INCOME STATEMENT**

### **Operating result**

	<b>2022</b>	<b>2021</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	376.7	369.4	2.0
Grants and contributions revenue	88.2	168.8	47.7
Operating result from continuing operations	65.0	195.6	66.8
Net operating result before capital grants and contributions	(4.0)	50.9	107.9

Rates and annual charges revenue (\$376.7 million) increased by \$7.3 million (2.0 per cent) in 2021–22 due to the annual rate peg increase applied to ordinary rates (2.0 per cent).

Grants and contributions revenue (\$88.2 million) decreased by \$80.6 million (47.7 per cent) in 2021–22 primarily due to one-off recognition of new assets arising from the Sydney Light Rail Project amounting to \$78.4 million in the prior year.

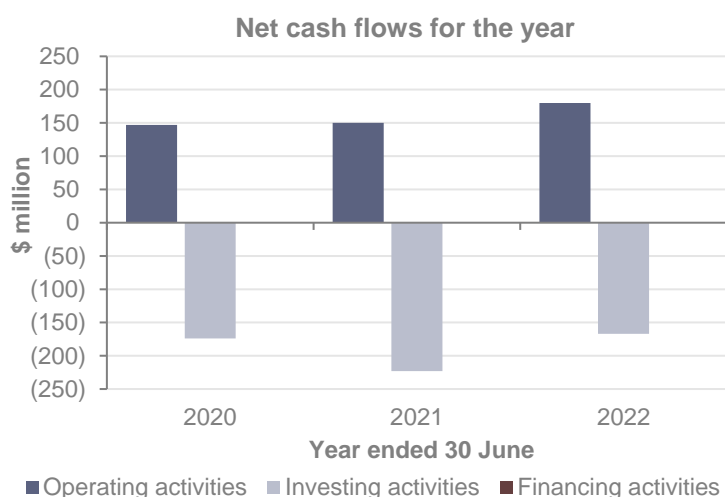
The Council's operating result from continuing operations (\$65.0 million) was \$130.6 million lower than the 2020–21 result. The decrease is primarily due to the following:

- decrease in grants and contributions revenue by \$80.6 million as described above
- decrease in other revenue by \$44.0 million due to first time recognition of heritage floor space rights awarded to the Council in the prior year, but none in 2021-22.
- decrease in other income by \$24.4 million largely due to the fair value increment recognised on the Council's investment properties reducing by \$25.0 million in 2021-22 from the prior year.
- decrease in depreciation expense by \$14.0 million mainly due to a reassessment to extend asset useful lives for open space/recreational assets and other assets.

The net operating result before capital grants and contributions (\$-4.0 million) was \$54.9 million lower than the 2020–21 result.

## STATEMENT OF CASH FLOWS

- The Council reported an increase in cash and cash equivalents from \$51.1 million at 30 June 2021 to \$63.8 million at 30 June 2022.
- Cash inflows from operating activities increased by \$29.1 million primarily due to increase in cash receipts from grants and contributions
- Cash outflows from investing activities decreased by \$56.0 million due to decrease in the net acquisition of floating rate notes and term deposits by \$47.8 million and a *net* decrease in purchase and sale of property, plant, equipment and intangible assets by \$8.2 million.
- The Council has no significant financing activities.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>715.0</b>	<b>655.3</b>	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase by \$7.8 million is primarily due to an increase in available cash balance relating to developer contributions.</li> <li>Internal allocations of cash and investments have been allocated in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The main reason for the increase in internal allocations is due to additional receipts amounting to \$25.8 million from developers which were allocated into the Heritage conservation fund.</li> </ul>
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	76.4	68.6	
• Internal allocations	348.9	313.4	

## PERFORMANCE

### Performance measures

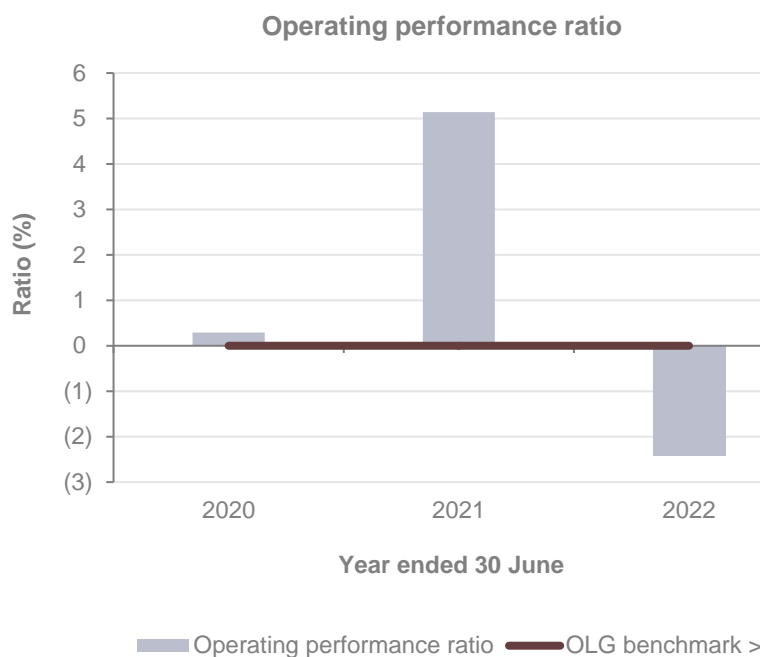
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

#### Operating performance ratio

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

The Council did not meet the OLG benchmark for the current reporting period.

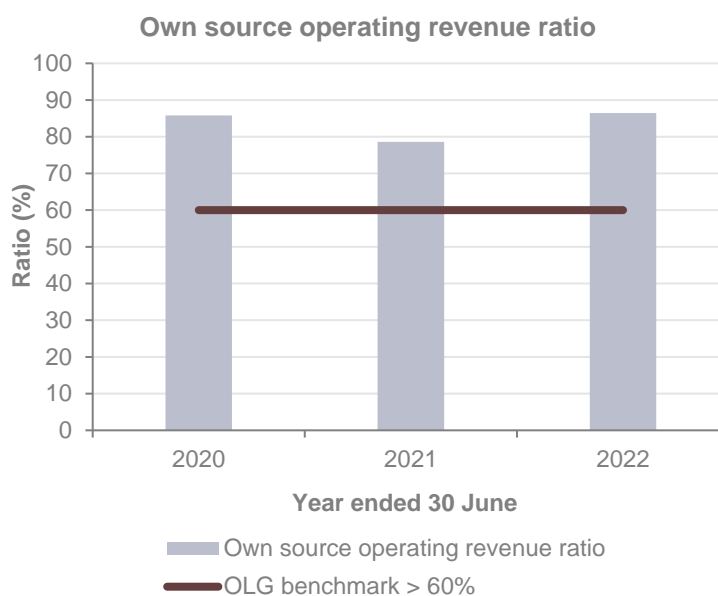
Operating performance continued to be impacted by the COVID-19 pandemic, with pressures on key income items (parking meters and fines). Revenue from Heritage floor space rights awarded to Council in the prior year but not this year also contributed to the reduced income in 2021-22.



## Own source operating revenue ratio

The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

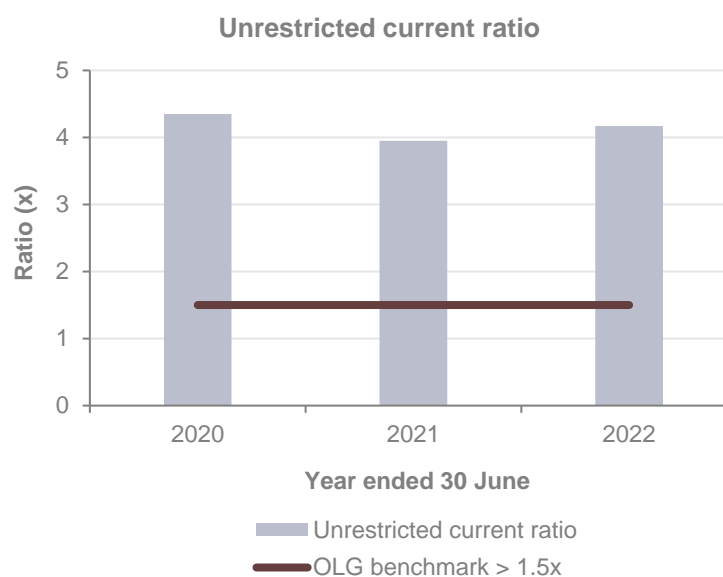
The Council continues to meet the OLG benchmark for the current reporting period. The ratio fluctuates with movements in grants and contributions.



## Unrestricted current ratio

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

The Council met the OLG benchmark for the current reporting period.



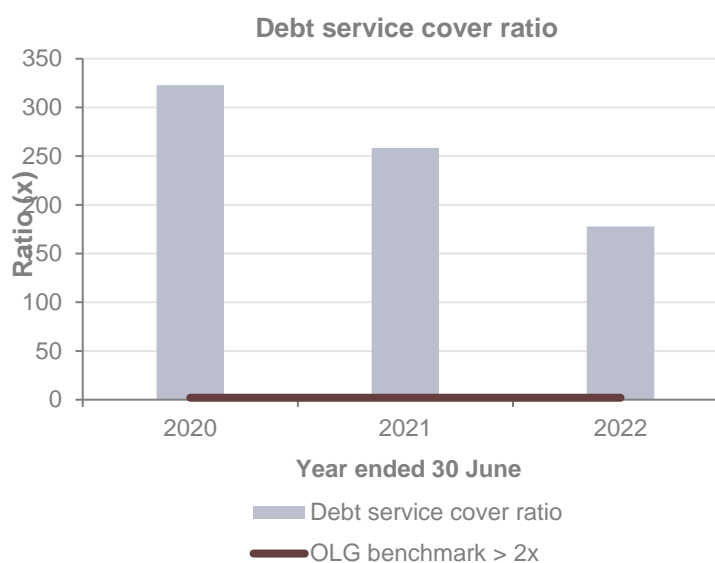


## Debt service cover ratio

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

The Council met the OLG benchmark for the current reporting period. The Council continues to have no debt and holds adequate operating surpluses and cash reserves to meet its delivery program.

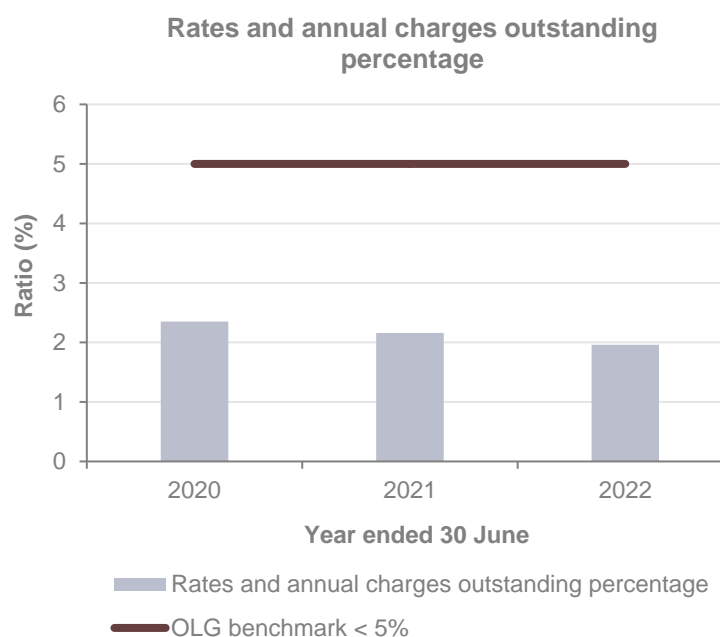
The ratio reflects the implicit interest recognised in relation to a property lease under the accounting standard AASB16 'Leases'.



## Rates and annual charges outstanding percentage

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.

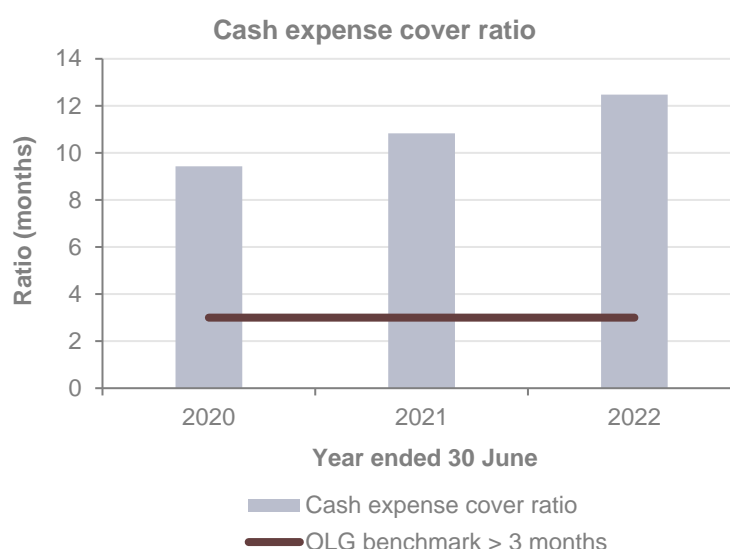
The Council met the OLG benchmark for the current reporting period.



## Cash expense cover ratio

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

The Council continues to meet the OLG benchmark due to operating surpluses and managing cash and investment balances.



## Infrastructure, property, plant and equipment renewals

Council's performance is as follows:

- asset renewals were \$61.0 million in 2021–22 compared to \$62.6 million the prior year.
- during 2021–22, \$114.4 million of new and upgraded assets were acquired, including \$16.2 million for the purchase of non- specialised building assets and \$83.6 for capital work in progress.

## OTHER MATTERS

### Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.

Margaret Crawford  
Auditor-General for New South Wales

cc: Monica Barone, Chief Executive Officer  
Carolyn Walsh, Chair of the Audit, Risk and Compliance Committee  
Michael Cassel, Secretary of the Department of Planning and Environment

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# Special Purpose Financial Statements

Annual Report  
2021/22

The City of Sydney acknowledges the Gadigal of the  
Eora Nation as the Traditional Custodians of our local area.

**CITY OF SYDNEY** 



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<b>Special Purpose Financial Statements:</b>	
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<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>8</b>

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### Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

# Council of the City of Sydney

## Special Purpose Financial Statements

for the year ended 30 June 2022

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### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

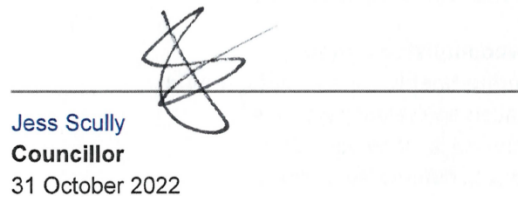
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

**Signed in accordance with a resolution of Council made on 31 October 2022.**



Clover Moore  
**Lord Mayor**  
31 October 2022



Jess Scully  
**Councillor**  
31 October 2022



Monica Barone  
**Chief Executive Officer**  
31 October 2022



Bill Carter  
**Responsible Accounting Officer**  
31 October 2022

# Council of the City of Sydney

## Income Statement of Parking Stations

for the year ended 30 June 2022

<b>\$ '000</b>	<b>2022 Category 1</b>	<b>2021 Category 1</b>
<b>Income from continuing operations</b>		
User charges	7,274	7,242
Other income	14	—
<b>Total income from continuing operations</b>	<b>7,288</b>	<b>7,242</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	174	178
Materials and services	1,594	1,289
Depreciation, amortisation and impairment	1,066	886
Calculated taxation equivalents	122	109
Other expenses	1,465	1,577
<b>Total expenses from continuing operations</b>	<b>4,421</b>	<b>4,039</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>2,867</b>	<b>3,203</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2,867</b>	<b>3,203</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>2,867</b>	<b>3,203</b>
Less: corporate taxation equivalent (25%) [based on result before capital]	(717)	(833)
<b>Surplus (deficit) after tax</b>	<b>2,150</b>	<b>2,370</b>
<b>Plus accumulated surplus</b>	<b>99,465</b>	<b>96,153</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	122	109
– Corporate taxation equivalent	717	833
<b>Closing accumulated surplus</b>	<b>102,454</b>	<b>99,465</b>
<b>Return on capital %</b>	<b>2.8%</b>	<b>3.1%</b>

## Council of the City of Sydney

### Statement of Financial Position of Parking Stations

as at 30 June 2022

<b>\$ '000</b>	<b>2022 Category 1</b>	<b>2021 Category 1</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	156	105
<b>Total current assets</b>	<b>156</b>	<b>105</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	101,323	102,080
Inter-Entity Debtor	93,273	89,264
<b>Total non-current assets</b>	<b>194,596</b>	<b>191,344</b>
<b>Total assets</b>	<b>194,752</b>	<b>191,449</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	553	549
Employee benefit provisions	57	59
<b>Total current liabilities</b>	<b>610</b>	<b>608</b>
<b>Non-current liabilities</b>		
Employee benefit provisions	24	20
<b>Total non-current liabilities</b>	<b>24</b>	<b>20</b>
<b>Total liabilities</b>	<b>634</b>	<b>628</b>
<b>Net assets</b>	<b>194,118</b>	<b>190,821</b>
<b>EQUITY</b>		
Accumulated surplus	102,454	99,465
Revaluation reserves	91,664	91,356
<b>Total equity</b>	<b>194,118</b>	<b>190,821</b>



## Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 2005* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, fair value of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. *The Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, and returns on investments (rate of return and dividends paid).

### Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

#### Category 1 - business activities with gross operating turnover more than \$2 million

**Parking Stations** - Operation of the Goulburn Street and Kings Cross Parking Stations

### Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs. However, where Council does not pay some taxes, which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in special purpose financial statements. For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

#### Notional rate applied (%)

Corporate income tax rate – **25%** (2020/21 26%)

Land tax – the first \$822,000 of combined land values attracts **0%**. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,026,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **4.85%** on the value of taxable salaries and wages in excess of \$1,200,000.

### Income tax

An income tax equivalent has been applied on the profits of the business activities.

## Note – Significant Accounting Policies (continued)

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (2020/21 26%)

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 25% is the equivalent company tax rate prevalent at reporting date.

### Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

#### (i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statements of business activities.

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

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

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

**Written down value of I,PP&E as at 30 June**

Council typically targets a minimum rate of return of at least the Commonwealth 10 year bond rate, which is 3.66% at 30/6/22.

#### (iii) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

**END OF AUDITED FINANCIAL STATEMENTS**



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statements**

#### **Council of the City of Sydney**

To the Councillors of Council of the City of Sydney

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of the Council of the City of Sydney's (the Council) Declared Business Activity, Parking Stations, which comprise the Statement by Councillors and Management, the Income Statement of the Declared Business Activity for the year ended 30 June 2022, the Statement of Financial Position of the Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activity as at 30 June 2022, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

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

A handwritten signature in black ink, appearing to read 'C. Karakatsanis', with a stylized, cursive script.

Caroline Karakatsanis  
Delegate of the Auditor-General for New South Wales

1 November 2022  
SYDNEY





# Special Schedules

Annual Report  
2021/22

The City of Sydney acknowledges the Gadigal of the  
Eora Nation as the Traditional Custodians of our local area.

**CITY OF SYDNEY** 

Council of the City of Sydney

Special Schedules

for the year ended 30 June 2022

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# Council of the City of Sydney

## Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	315,285	<b>319,261</b>
Plus or minus adjustments <sup>2</sup>	b	(931)	<b>320</b>
<b>Notional general income</b>	c = a + b	<b>314,354</b>	<b>319,581</b>
<b>Permissible income calculation</b>			
Rate peg percentage	d	2.00%	<b>2.50%</b>
Plus rate peg amount	e = c x d	6,287	<b>7,990</b>
<b>Sub-total</b>	f = c + e	<b>320,641</b>	<b>327,571</b>
Plus (or minus) last year's carry forward total		—	—
Less one-off shortfall catch-up claimed in the previous year <sup>3</sup>	g	—	—
Less unrecovered amounts claimed in the previous year	h	(1,794)	<b>(415)</b>
<b>Sub-total</b>		<b>(1,794)</b>	<b>(415)</b>
<b>Total permissible income</b>	i = f + g + h	<b>318,847</b>	<b>327,156</b>
Less notional general income yield	j	319,262	<b>326,477</b>
Plus catch-up of unrecovered amounts <sup>4</sup>	k	415	—
<b>Catch-up or (excess) result <sup>5</sup></b>	l = i - j + k	<b>—</b>	<b>679</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>(415)</b>	<b>679</b>

### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) The catch-up of a previous year shortfall in general income is allowed under section 511 of the Local Government Act 1993.
- (4) Councils can claim the value of the permissible income unable to be recovered or retained due to reductions in valuations issued by the Valuer-General, as allowed under section 511A of the Local Government Act 1993.
- (5) Excess results require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Special Schedule 2 in the Financial data return (FDR) to administer this process.
- (6) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.





## **INDEPENDENT AUDITOR'S REPORT**

### **Special Schedule – Permissible income for general rates**

#### **Council of the City of Sydney**

To the Councillors of Council of the City of Sydney

### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of the Council of the City of Sydney (the Council) for the year ending 30 June 2023.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code) and is in accordance with the books and records of the Council.

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and special purpose financial statements.

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

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

A handwritten signature in black ink, appearing to read 'C. Karakatsanis', with a stylized, cursive script.

Caroline Karakatsanis  
Delegate of the Auditor-General for New South Wales

1 November 2022  
SYDNEY

## Council of the City of Sydney

## Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard <sup>a</sup>	Estimated cost to bring to the agreed level of service set by Council <sup>b</sup>	2021/22 Required maintenance <sup>c</sup>	2021/22 Actual maintenance <sup>c</sup>	Net carrying amount <sup>d</sup>	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings – non-specialised	28,956	42,948	41,152	37,568	1,682,330	2,170,628	8.9%	48.3%	33.4%	8.4%	1.0%
	Buildings – specialised <sup>e</sup>	5,736	6,522	2,002	2,396	30,611	55,698	0.5%	42.6%	22.5%	7.4%	27.0%
	<b>Sub-total</b>	<b>34,692</b>	<b>49,470</b>	<b>43,154</b>	<b>39,964</b>	<b>1,712,941</b>	<b>2,226,326</b>	<b>8.7%</b>	<b>48.2%</b>	<b>33.1%</b>	<b>8.4%</b>	<b>1.7%</b>
Roads	Sealed roads – surface	2,286	3,913	3,416	3,705	153,264	252,613	5.2%	62.3%	27.5%	5.0%	0.0%
	Sealed roads – structure	5,380	5,380	169	183	554,149	644,936	35.9%	44.5%	16.1%	2.6%	0.9%
	Bridges	380	672	141	153	67,809	94,633	33.8%	40.1%	24.0%	2.1%	0.0%
	Footpaths	4,747	4,667	5,028	5,453	399,824	680,465	16.3%	39.1%	42.6%	2.0%	0.0%
	Kerb and gutter	7,906	6,558	1,198	1,300	170,368	389,759	6.4%	41.8%	44.8%	6.6%	0.4%
	Other road infrastructure assets <sup>f</sup>	800	800	117	127	44,629	76,017	14.3%	57.7%	23.5%	2.5%	2.0%
	<b>Sub-total</b>	<b>21,499</b>	<b>21,990</b>	<b>10,069</b>	<b>10,921</b>	<b>1,390,043</b>	<b>2,138,423</b>	<b>19.8%</b>	<b>44.7%</b>	<b>31.7%</b>	<b>3.4%</b>	<b>0.4%</b>
Stormwater drainage	Stormwater drainage	4,314	4,314	2,854	1,914	344,054	486,637	28.1%	61.8%	6.8%	1.9%	1.4%
	<b>Sub-total</b>	<b>4,314</b>	<b>4,314</b>	<b>2,854</b>	<b>1,914</b>	<b>344,054</b>	<b>486,637</b>	<b>28.1%</b>	<b>61.8%</b>	<b>6.8%</b>	<b>1.9%</b>	<b>1.4%</b>
Open space / recreational assets	Open Space Assets	18,990	20,751	18,429	19,647	286,975	691,446	6.4%	16.9%	63.3%	13.0%	0.4%
	<b>Sub-total</b>	<b>18,990</b>	<b>20,751</b>	<b>18,429</b>	<b>19,647</b>	<b>286,975</b>	<b>691,446</b>	<b>6.4%</b>	<b>16.9%</b>	<b>63.3%</b>	<b>13.0%</b>	<b>0.4%</b>
<b>Total – all assets</b>		<b>79,495</b>	<b>96,525</b>	<b>74,506</b>	<b>72,446</b>	<b>3,734,013</b>	<b>5,542,832</b>	<b>14.4%</b>	<b>44.1%</b>	<b>34.0%</b>	<b>6.5%</b>	<b>1.0%</b>

# Council of the City of Sydney

## Report on infrastructure assets as at 30 June 2022 (continued)

### Notes:

a **Estimated Cost to Bring To Satisfactory Standard** per Office of Local Government Requirements, reflects the estimated cost to restore all Council assets to condition '3' or better. These cost (and asset condition) assessments remain highly subjective, as in previous years

b **Estimated Cost to Bring to the Agreed Level of Service Set by Council** reflects the estimated cost to restore all assets assessed to be at a condition beneath Council's minimum service levels. These standards (i.e. target conditions) are detailed in Council's Asset Management Strategy, and reflect the strategy of maximising the consumption of assets' service potential before renewal works are undertaken.

c Maintenance costs, per Office of Local Government Requirements, include both maintenance and (appropriate) operational costs  
*Required* maintenance reflects amounts identified within Asset Management Plans for the respective classes, and equivalent expenditure types are included within the 'Actual' column.

d Carrying Value reflects the asset value by class, per Note C1-8 of the General Purpose Financial Statements.

e The proportion of Specialised Buildings assessed as condition 4 is distorted by the inclusion of the Sydney Park Brick Kilns, assessed to be in a "poor" condition. This asset represents a disproportionate share of the small 'Specialised Buildings' class.

f 'Other' infrastructure includes street furniture and street fixtures (e.g. traffic islands)

### Infrastructure asset condition assessment 'key'

1	<b>Excellent/very good</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Satisfactory</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## Council of the City of Sydney

## Report on infrastructure assets as at 30 June 2022

## Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021      2020		Benchmark
1. Buildings and infrastructure renewals ratio					
Asset renewals <sup>1</sup>	53,422	67.16%	61.54%	51.17%	>= 100.00%
Depreciation, amortisation and impairment	79,542				
1a. Buildings and infrastructure renewals ratio (alternate) <sup>1</sup>					
Asset renewals <sup>2</sup>	53,422	75.45%	75.98%	63.52%	> 100.00%
Required asset renewal (per adopted asset management strategy)	70,800				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	79,495	2.00%	1.36%	1.69%	< 2.00%
Net carrying amount of infrastructure assets	3,976,230				
3. Asset maintenance ratio					
Actual asset maintenance	72,446	97.24%	101.76%	99.07%	> 100.00%
Required asset maintenance	74,506				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	96,525	1.74%	1.50%	1.86%	
Gross replacement cost	5,542,832				

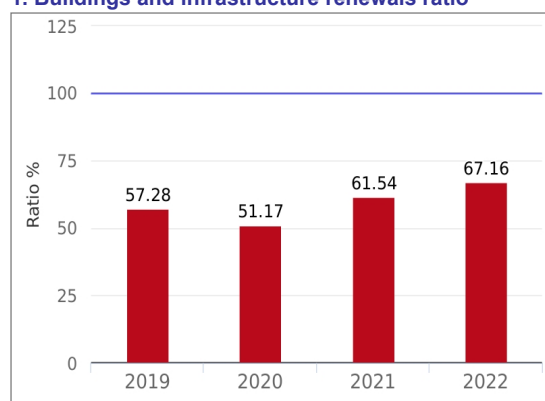
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

# Council of the City of Sydney

## Report on infrastructure assets as at 30 June 2022

### 1. Buildings and infrastructure renewals ratio



#### Purpose of buildings and infrastructure renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

#### Commentary on 2021/22 result

2021/22 ratio 67.16%

Delivery of capital renewal works in 2021/22 was largely consistent with the 2020/21 financial year, and continued disruptions owing to Covid-19 and inclement weather slowed the progress of Council's works program. The improved ratio result in 2021/22 was largely a result of reduced depreciation expense, following the reassessment of certain assets' useful lives.

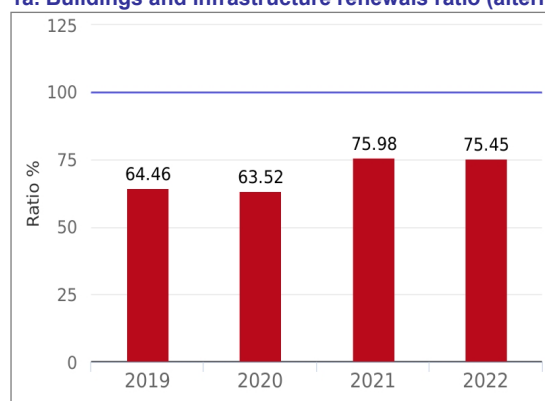
Benchmark: —  $\geq 100.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 1a. Buildings and infrastructure renewals ratio (alternate)



#### Purpose of 1a. buildings and infrastructure renewals ratio (alternate)

To assess the rate at which these assets are being renewed relative to the required level of renewal identified in Council's Asset Management Plan.

#### Commentary on 2021/22 result

2021/22 ratio 75.45%

Delivery of capital renewal works in 2021/22 was largely consistent with the 2020/21 financial year, and continued disruptions owing to Covid-19 and inclement weather slowed the progress of Council's works program. This (alternative) ratio result is largely consistent, as the underlying "required" renewal is utilised as the ratio denominator and remained largely consistent with the prior year.

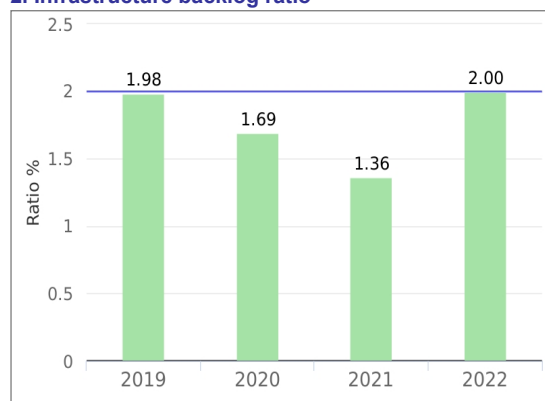
Benchmark: —  $> 100.00\%$

Source of benchmark:

Ratio achieves benchmark

Ratio is outside benchmark

### 2. Infrastructure backlog ratio



#### Purpose of infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

#### Commentary on 2021/22 result

2021/22 ratio 2.00%

Some decline in asset condition is reflected in 2021/22, due to condition assessments and updates to Infrastructure Assets as part of the revaluation of the class, and significant weather events in 2022.

Benchmark: —  $< 2.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting

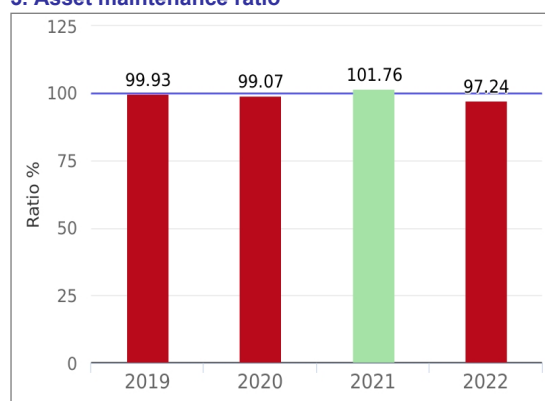
Ratio achieves benchmark

Ratio is outside benchmark

## Council of the City of Sydney

### Report on infrastructure assets as at 30 June 2022 (continued)

#### 3. Asset maintenance ratio



Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

#### Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

#### Commentary on 2021/22 result

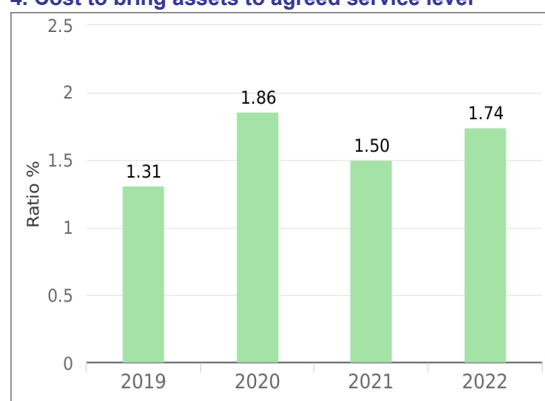
2021/22 ratio 97.24%

The ratio result for 2021/22 is within an acceptable margin of the benchmark. A ratio significantly in excess of 100% would represent potential overservicing of assets. "Required" maintenance totals are subject to ongoing refinement as part of asset management planning. Maintenance cycles vary, from time to time, as asset condition assessments are undertaken.

Ratio achieves benchmark

Ratio is outside benchmark

#### 4. Cost to bring assets to agreed service level



#### Purpose of cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

#### Commentary on 2021/22 result

2021/22 ratio 1.74%

Council has continued to meet the benchmark for this ratio, which was introduced from 2015-16. This ratio is considered to be more reflective of Council's infrastructure 'backlog', particularly due to the use of gross replacement cost in calculation. Some decline in asset condition is reflected in 2021/22, due to condition assessments and updates to Infrastructure Assets as part of the revaluation of the class, and significant weather events in 2022.