



CUMBERLAND
CITY COUNCIL

Financial Statements

July 2022 - June 2023

Cumberland City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



Cumberland City Council

General Purpose Financial Statements

for the year ended 30 June 2023

Contents	Page
Understanding Council's Financial Statements	3
Statement by Councillors and Management	4
Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	76
On the Financial Statements (Sect 417 [3])	79

Overview

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

16 Memorial Ave
Merrylands NSW 2160

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.cumberland.nsw.gov.au.

Cumberland City Council

General Purpose Financial Statements

for the year ended 30 June 2023

Understanding Council's Financial Statements

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 2023.

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.

Cumberland City Council

General Purpose Financial Statements

for the year ended 30 June 2023

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

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

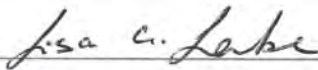
- the *Local Government Act 1993* (NSW) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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 27 September 2023.



Lisa Lake

Mayor

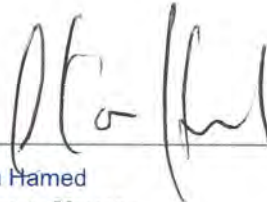
27 September 2023



Peter J Fitzgerald

General Manager

27 September 2023



Ola Hamed

Deputy Mayor

27 September 2023



Tony Chahine

Responsible Accounting Officer

27 September 2023

Cumberland City Council

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Net operating result for the year – from Income Statement		64,886	86,189
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<u>307,778</u>	142,563
Total items which will not be reclassified subsequently to the operating result		307,778	142,563
Total other comprehensive income for the year		307,778	142,563
Total comprehensive income for the year attributable to Council		372,664	228,752

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

Cumberland City Council

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	Restated 2022	1 July 2021
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	8,596	1,322	17,077
Investments	C1-2	113,700	95,306	81,092
Receivables	C1-4	20,857	16,102	16,965
Inventories	C1-5	240	234	216
Other	C1-11	1,389	1,296	1,091
Total current assets		144,782	114,260	116,441
Non-current assets				
Investments	C1-2	99,547	91,792	65,334
Infrastructure, property, plant and equipment (IPPE)	C1-6	3,027,836	2,673,034	2,473,145
Investment property	C1-7	67,384	76,814	72,859
Intangible assets	C1-8	–	1,081	3,015
Right of use assets	C2-1	7,272	2,265	1,852
Total non-current assets		3,202,039	2,844,986	2,616,205
Total assets		3,346,821	2,959,246	2,732,646
LIABILITIES				
Current liabilities				
Payables	C3-1	46,441	36,488	34,407
Contract liabilities	C3-2	20,113	16,307	15,485
Lease liabilities	C2-1	2,052	1,158	813
Borrowings	C3-3	3,463	5,364	5,218
Employee benefit provisions	C3-4	20,984	19,497	20,065
Total current liabilities		93,053	78,814	75,988
Non-current liabilities				
Lease liabilities	C2-1	5,344	1,146	1,075
Borrowings	C3-3	17,339	20,802	26,166
Employee benefit provisions	C3-4	463	526	211
Total non-current liabilities		23,146	22,474	27,452
Total liabilities		116,199	101,288	103,440
Net assets		3,230,622	2,857,958	2,629,206
EQUITY				
Accumulated surplus		2,473,221	2,408,335	2,322,146
IPPE revaluation reserve		757,401	449,623	307,060
Total equity		3,230,622	2,857,958	2,629,206

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

Cumberland City Council

Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
\$ '000					Restated	Restated	Restated
Opening balance at 1 July		2,414,815	453,215	2,868,030	2,328,626	310,652	2,639,278
Correction of prior period errors	F4-1	(6,480)	(3,592)	(10,072)	(6,480)	(3,592)	(10,072)
Restated opening balance		2,408,335	449,623	2,857,958	2,322,146	307,060	2,629,206
Net operating result for the year		64,886	–	64,886	86,189	–	86,189
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	307,778	307,778	–	142,563	142,563
Other comprehensive income		–	307,778	307,778	–	142,563	142,563
Total comprehensive income		64,886	307,778	372,664	86,189	142,563	228,752
Closing balance at 30 June		2,473,221	757,401	3,230,622	2,408,335	449,623	2,857,958

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

Cumberland City Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Cash flows from operating activities				
<i>Receipts:</i>				
150,630	Rates and annual charges		152,879	147,002
29,693	User charges and fees		30,057	28,117
2,034	Interest received		5,137	1,430
30,067	Grants and contributions		73,319	45,202
–	Bonds, deposits and retentions received		4,505	2,328
12,555	Other		7,236	9,271
<i>Payments:</i>				
(84,979)	Payments to employees		(79,700)	(77,981)
(86,071)	Payments for materials and services		(83,357)	(77,854)
(627)	Borrowing costs		(918)	(1,041)
(3,100)	Other		(1,494)	(4,757)
50,202	Net cash flows from operating activities	G1-1	107,664	71,717
Cash flows from investing activities				
<i>Receipts:</i>				
800	Proceeds from sale of IPPE		685	725
<i>Payments:</i>				
–	Purchase of investments		(87)	(11,257)
10,287	Acquisition of term deposits		(24,847)	(30,068)
–	Purchase of investment property		(137)	–
(60,203)	Payments for IPPE		(69,006)	(40,290)
–	Purchase of intangible assets		–	(23)
(49,116)	Net cash flows from investing activities		(93,392)	(80,913)
Cash flows from financing activities				
<i>Payments:</i>				
(5,364)	Borrowings and advances		(5,364)	(5,218)
–	Principal component of lease payments		(1,634)	(1,341)
(5,364)	Net cash flows from financing activities		(6,998)	(6,559)
(4,278)	Net change in cash and cash equivalents		7,274	(15,755)
14,278	Plus: cash and equivalents – beginning of reporting period		1,322	17,077
10,000	Cash and cash equivalents at end of year	C1-1	8,596	1,322

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

Cumberland City Council

Contents for the notes to the Financial Statements for the year ended 30 June 2023

A About Council and these financial statements	12
A1-1 Basis of preparation	12
B Financial Performance	14
B1 Functions or activities	14
B1-1 Functions or activities – income, expenses and assets	14
B1-2 Components of functions or activities	16
B2 Sources of income	20
B2-1 Rates and annual charges	20
B2-2 User charges and fees	21
B2-3 Other revenues	22
B2-4 Grants and contributions	23
B2-5 Interest and investment income	27
B2-6 Other income	27
B3 Costs of providing services	28
B3-1 Employee benefits and on-costs	28
B3-2 Materials and services	29
B3-3 Borrowing costs	29
B3-4 Depreciation, amortisation and impairment of non-financial assets	30
B3-5 Other expenses	31
B4 Gains or losses	32
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	32
B5 Performance against budget	33
B5-1 Material budget variations	33
B6 Material Income Statement items	34
B6-1 Material Income Statement items	34
C Financial position	35
C1 Assets we manage	35
C1-1 Cash and cash equivalents	35
C1-2 Financial investments	36
C1-3 Restricted and allocated cash, cash equivalents and investments	37
C1-4 Receivables	38
C1-5 Inventories	39
C1-6 Infrastructure, property, plant and equipment	40
C1-7 Investment properties	43
C1-8 Intangible assets	44
C2 Leasing activities	45
C2-1 Council as a lessee	45
C2-2 Council as a lessor	47
C3 Liabilities of Council	48
C3-1 Payables	48
C3-2 Contract Liabilities	49
C3-3 Borrowings	50

Cumberland City Council

Contents for the notes to the Financial Statements for the year ended 30 June 2023

C3-4 Employee benefit provisions	52
D Risks and accounting uncertainties	53
D1-1 Risks relating to financial instruments held	53
D2-1 Fair value measurement	56
D3-1 Contingencies	58
E People and relationships	61
E1 Related party disclosures	61
E1-1 Key management personnel (KMP)	61
E1-2 Councillor and Mayoral fees and associated expenses	62
E2 Other relationships	63
E2-1 Audit fees	63
F Other matters	64
F1-1 Statement of Cash Flows information	64
F2-1 Commitments	65
F3-1 Events occurring after the reporting date	66
F4 Changes from prior year statements	67
F4-1 Correction of errors	67
F5 Statement of developer contributions as at 30 June 2023	68
F5-1 Summary of developer contributions	68
F5-2 Developer contributions by plan	69
F6 Statement of performance measures	71
F6-1 Statement of performance measures – consolidated results	71
G Additional Council disclosures (unaudited)	72
G1-1 Statement of performance measures – consolidated results (graphs)	72
G1-2 Financial review	74
G1-3 Council information and contact details	75

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 27 September 2023. Council has the power to amend and reissue these 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 for the purpose of preparing these financial statements.

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

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements. Comparatives have been adjusted to reflect prior period adjustments. Refer Note F3-1.

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

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

and are clearly marked.

Historical cost convention

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

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 infrastructure, property, plant and equipment – refer C1-6.
- (ii) employee benefit provisions – refer C3-4.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and 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)

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.

Cash and other assets of the following activities have been included as part of the Consolidated Fund:

- General purpose operations

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)*, 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.

A separate statement of monies held in the Trust Fund is available for inspection at Council's offices 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

Volunteer services falls under the scope of AASB 1058 *Income of Not-for Profit Entities*, rather than AASB 15 because it is not a contract with a customer.

Local governments often benefit from volunteer services and now will have to determine if they would have purchased the services if they had not been donated.

A review of Council's volunteer services concludes no financial impact. Council volunteer services would not be purchased if they had not been donated.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (i.e. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2023 reporting period.

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets

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	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions or activities										
Children & Youth Development	153	153	878	775	(725)	(622)	152	153	–	–
Community Development	41	67	1,271	832	(1,230)	(765)	33	59	–	–
Events and Culture	893	177	2,255	1,028	(1,362)	(851)	481	165	–	–
Libraries	1,075	798	5,844	5,361	(4,769)	(4,563)	955	732	3,880	3,800
Seniors and Disability	2,070	1,825	2,238	2,177	(168)	(352)	1,068	1,167	–	–
Education and Care	12,284	12,395	10,313	12,157	1,971	238	471	1,840	369	148
Asset Management and Asset System Support	2,712	3,159	3,214	3,041	(502)	118	1,979	1,718	–	–
Capital Works and Assets Renewal	5,058	3,562	(388)	22	5,446	3,540	5,031	3,540	1,526,223	1,362,664
Recreational Assets	3,587	1,907	5,688	3,979	(2,101)	(2,072)	57	298	8,735	8,490
Buildings Maintenance	1,598	1,597	21,861	19,344	(20,263)	(17,747)	1,010	382	431,456	419,466
Depots	298	248	3,328	2,236	(3,030)	(1,988)	3	–	3,617	4,413
City Maintenance	8,688	7,013	32,921	28,831	(24,233)	(21,818)	7,854	6,257	–	–
Open Spaces	3,907	2,962	16,220	16,338	(12,313)	(13,376)	1,805	448	1,116,928	947,413
Ranger Services	4,545	5,377	4,114	4,369	431	1,008	–	–	–	–
Waste Services	46,622	43,894	39,810	37,868	6,812	6,026	–	–	3,327	2,832
Development Programs	568	742	1,701	1,656	(1,133)	(914)	–	–	–	–
Environmental Health	772	578	1,989	1,772	(1,217)	(1,194)	65	62	–	–
Place and Engagement	37	587	922	1,240	(885)	(653)	36	586	–	–
Strategic Planning	5,630	10	2,291	1,675	3,339	(1,665)	5,617	–	–	–
Development Management	3,308	3,043	6,075	5,876	(2,767)	(2,833)	104	240	–	–
Engineering Design and Traffic Services	5,282	4,666	8,022	7,185	(2,740)	(2,519)	1,780	1,074	153	152
Environment Programs	1,298	690	2,975	2,744	(1,677)	(2,054)	803	231	–	–
Planning Systems	26,672	13,426	145	196	26,527	13,230	26,668	13,132	–	–
Public Spaces Planning and Design	12	266	647	527	(635)	(261)	1	257	–	–
Bookings and Community Centres	1,579	267	920	897	659	(630)	–	2	–	–
Customer Service	65	68	3,179	3,102	(3,114)	(3,034)	–	(2)	–	–
Information Technology	37	36	9,159	9,909	(9,122)	(9,873)	48	14	–	1,081
Accounting	39,693	68,500	17,390	5,763	22,303	62,737	12,983	11,444	245,868	202,952
Rates	106,447	103,098	1,789	1,766	104,658	101,332	–	–	6,265	5,835
Human Resources	6	–	2,017	1,431	(2,011)	(1,431)	6	–	–	–
Strategic Communications	–	1	1,728	1,554	(1,728)	(1,553)	–	–	–	–
Corporate Strategy and Performance	4	5	510	444	(506)	(439)	–	–	–	–

B1-1 Functions or activities – income, expenses and assets (continued)

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	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Improvement and Implementation	–	–	375	418	(375)	(418)	–	–	–	–
Audit, Safety and Risk	398	546	3,501	3,123	(3,103)	(2,577)	125	126	–	–
Governance and Executive Support	12	12	3,591	3,188	(3,579)	(3,176)	–	1	–	–
Procurement	7	4	489	442	(482)	(438)	–	–	–	–
Property Services	4,084	3,720	484	592	3,600	3,128	–	89	–	–
General Manager's Internal Services	833	1,220	5,923	6,572	(5,090)	(5,352)	738	1,064	–	–
Total functions and activities	290,275	286,619	225,389	200,430	64,886	86,189	69,873	45,079	3,346,821	2,959,246

B1-2 Components of functions or activities

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

Children and Youth Development

This service is responsible for the development and implementation of the Cumberland Children and Families Strategy (pregnancy – 12 years) and the Cumberland City Youth Strategy (13 – 24 years) which inform Council's direction in relation to community programming for children, youth, and their families.

Children and Youth Development oversees the internal and external child protection functions of Council as a Child Safe Organisation.

Community Development

This service is responsible for the development and implementation of Community Development initiatives and projects across Cumberland City.

Events and Culture

This service is responsible for the development and delivery of Council's Major Cultural Events Program designed to increase social cohesion in the community.

Events and Culture provide access to arts and culture programs and initiatives for the Cumberland community.

Libraries

This service provides a network of eight modern and well-resourced libraries to promote community learning with educational, recreational and development programs.

Libraries provide residents and visitors across Cumberland City with face-to-face and online resources, events, programs and access to technology.

Seniors and Disability

This service aims to improve the lives of seniors, people with disability and carers in our community through the provision of services including transportation, meals and social programs, events and implementation of Council's Disability Inclusion Action Plan.

Education and Care

This service provides high quality and inclusive programs for children aged 0 to 12 years. The programs offer a range of flexible and inclusive service options for families including Long Day Care, Out of School Hours Care, school holiday programs and Family Day Care.

Asset Management and Asset System Support

This service undertakes long-term Asset Management Planning to strategically manage Council's infrastructure assets along with maintaining the asset data and valuations to meet the expectations of the community.

Asset Management and Asset System Support is responsible for creating annual Asset Renewal Programs in alignment with Council's asset objectives, project management governance and processes for Capital Works delivery. The service facilitates projects which need to be undertaken based on utility approvals, as well as capturing and assessing street lighting requests from the community.

Capital Works and Assets Renewal

This service manages the construction of new infrastructure assets and the renewal of Council's existing assets, including roads, buildings, open space and stormwater.

Construction works are undertaken in accordance with the annual Renewal Program and the construction of any new asset is undertaken as per the needs of the community and to agreed scope and specifications within the constraints of the relevant procurement protocols. This service follows best practice Project Management and governance processes.

Recreational Assets

This service provides recreational services, facilities and programs to promote the health and wellbeing of our residents, visitors and the wider community.

The Venues team provides premium spaces for the community to hire, including; Granville Swimming Centre, Merrylands Swimming Centre, Guildford Swimming Centre, Auburn Ruth Everuss Aquatic Centre (Operated by Belgravia), Wentworthville Memorial Swimming Centre, Holroyd Centre, The Eric Tweedale Stadium and Gym and The Granville Centre.

B1-2 Components of functions or activities (continued)

Buildings Maintenance

This service provides maintenance, safety, security, compliance and cleanliness to Council's buildings and properties; including the aquatic centres, community facilities, administration buildings, childcare centres, libraries, parks and gardens.

Buildings Maintenance is responsible for cleaning, fire safety, electrical, plumbing, sanitary and security.

Depots

This service is responsible for managing and providing maintenance for Council's main two Depot sites. This is an internal service supporting the delivery of frontline services by Council staff to Council staff.

Depots covers; Fleet Management Services, Mechanical Workshop, Stores and the Sign Shop.

City Maintenance

The service is responsible for the maintenance and presentation of Cumberland City's public domain areas.

City Maintenance focuses on providing a clean and safe public area for the enjoyment of the community by providing maintenance and cleaning services across Cumberland City including the verge, footpaths, stormwater, and road networks.

Open Spaces

This service provides maintenance for Council's extensive network of parks, sportsgrounds, playgrounds, bushland, habitat corridors and recreation areas.

Open Spaces manages and operates approximately 327 passive parks, 46 sportsgrounds, 37 tennis courts, 226 playgrounds, two golf courses, 200 ha of bushland, extensive walkways and bicycle paths, BBQs, picnic shelters and park furniture.

Ranger Services

This service regulates environmental and safety standards across Cumberland City by providing a range of community focused regulatory services, including companion animals' management and parking enforcement.

Waste Services

This service provides best value residential, commercial, town centre and public park waste collection services, regular clean-up services and removal of illegally dumped rubbish across Cumberland City.

Development Programs

This service investigates and regulates unauthorised and illegal works in Cumberland City, such as, illegal building works and unauthorised land use .Development Programs are designed to protect and ensure the safety of the community.

Environmental Health

This service regulates and encourages the improvement of environmental/public health and safety standards across Cumberland City, including the regulation of food premises, skin penetration businesses, cooling water systems, the investigation and regulation of unlawful activities that have the potential to impact the environment/public health and safety.

Technical advice is also provided to key stakeholders to ensure environmental health best practice is considered during the development application process. The service provides regular support and reporting to connected state agencies such as the Western Sydney Local Health District (WSLHD), NSW Food Authority and NSW EPA.

Place and Engagement

This service actively creates opportunities for the community to be engaged in Council's activities to ensure that community feedback and insights inform decision making and promotes economic development. Local businesses are supported through programs and strong partnerships with the Local Chamber of Commerce and NSW Government.

Place and Engagement promotes, advocates and showcases Cumberland City to attract large business and industry, undertaking place making, activations and smart places initiatives to support the vibrancy and success of town centres, enhance the local areas and provide smart services.

Strategic Planning

This service is responsible for Cumberland City's strategic land use planning to enable vibrant and liveable neighbourhoods that can sustainably accommodate our housing and jobs needs. Strategic planning is to be well planned and coordinated with transport and green infrastructure to benefit residents, businesses and stakeholders.

B1-2 Components of functions or activities (continued)

Strategic planning includes district, regional and local planning policies, planning for key centres and strategic corridors across Cumberland City, and advocating for key issues, such as affordable housing, infrastructure delivery and responding to NSW State Government initiatives.

Development Management

This service undertakes development and building activities, including development assessment, building assessment, private tree assessment, development engineering assessment and planning panels.

Engineering Design and Traffic Services

This service provides technical advice and design support for a range of physical infrastructure in Cumberland City, including stormwater and drainage, flood management and traffic and transport.

Engineering design and traffic services provides investigation for traffic and transport issues that are reported to the Cumberland Local Traffic Committee.

Environment Programs

This service provides a range of environmental, planning and waste related programs and services across Cumberland City, which ensures public spaces are clean and well maintained.

Planning Systems

This service delivers a range of services including the preparation and assessment of developer-initiated planning proposals, as well as negotiation and preparation of voluntary planning agreements associated with planning proposals.

Planning systems prepares and administers local infrastructure contributions plans, prepares and issues planning certificates. In addition, the service monitors and reports on legislative and policy changes and advocates for the needs of Cumberland City.

Public Spaces Planning and Design

This service provides a range of planning and design services aimed at improving quality and amenity of Council's open space and public domain areas.

Bookings and Community Centres

This service operates Council's three staffed community centres located in Auburn, Berala, and Guildford providing residents and visitors a welcoming place to meet for a range of activities.

Bookings and Community Centres is also responsible for the day-to-day management of bookings for non-staffed community halls, passive parks, sports fields and tennis courts in addition to managing the event and filming application process.

Customer Service

This service is responsible for managing and operating Council's customer service centres, contact centres, webchat, after hours service and other Council contact channels including records management.

Customer Service also provides a mechanism to report compliments and complaints.

Information Technology

This service provides sustainable, resilient, scalable network infrastructure and desktop hardware in addition to providing service desk help and disaster recovery and management of TPG private cloud infrastructure.

Information Technology is responsible for managing all corporate information systems across all data sets throughout Council. Other functions include Geographical Information Systems (GIS) and support for corporate system implementations.

Accounting

This service has multiple responsibilities including, payroll, accounts payable, treasury and financial accounting. Additionally, Finance Business Analysts provide relevant financial information, tools, analysis and insight to support budget owners to make informed decisions while driving business strategy. The Business Analyst process is pivotal in keeping Council financially stable.

Rates

This service generates Council's main source of income which is used to provide essential infrastructure, services, facilities, programs, activities and capital works for the community.

B1-2 Components of functions or activities (continued)

Human Resources

This service is an internal service provider delivering a range of services relating to the full employment lifecycle of staff including recruitment, onboarding, learning and development, health and wellbeing, performance management and offboarding.

Human Resources is responsible for understanding organisational culture and developing strategies to address identified areas of improvement.

Strategic Communications

This service plans and delivers communications and media initiatives across Council with a high degree of professionalism and initiative while executing priority projects and campaigns in a fast-paced environment.

Corporate Strategy and Performance

This service delivers Council's Integrated Planning and Reporting (IP&R) requirements, internal performance reporting and a range of business planning and support to the wider organisation.

The focus of this service is to provide partnership and support to meet IP&R requirements and building capacity within the organisation to achieve best practice business planning and performance measurement.

Improvement and Implementation

This service works to enhance the continuous improvement culture of the organisation by reviewing services, implementing innovative technology solutions and improving the efficiency and effectiveness of Council's business processes.

Improvement and Implementation also provides technology project management services that allows the organisation to quickly and efficiently implement technology solutions that improve our customer experience. Supporting this work is a comprehensive Business Process Mapping (BPM) Program of accurately capturing Council's key business processes.

Audit, Safety and Risk

This service is responsible for monitoring, reviewing, implementing, and delivering internal controls in relation to Council's Internal Audit Program, insurance portfolio, Work Health and Safety Management System and Enterprise Risk Management Framework in accordance with legislative requirements and best practice.

Governance and Executive Support

This service oversees the operations of Council to ensure that decision-making is transparent, accountable and underpinned by good ethics, and organisational activities are free from fraud and corruption with a focus on providing effective leadership and administration.

Governance and Executive Support is responsible for planning and hosting civic ceremonies and functions and providing a high level of executive support and administration services with respect to the elected Mayor and Councillors.

Procurement

This service is responsible for the oversight and delivery of Council's Procurement activities in accordance with endorsed procedures and requirements under the Local Government Act 1993 and Local Government (General) Regulation 2021.

Property Services

This service is responsible for maximising revenue generated on Council's leased assets, and commercial assets through an ongoing review of Council's assets portfolio.

The Property Services focus is to maximise utilisation of Council's leased and licensed assets and also, play a part in activation of Cumberland City and local businesses through the approval of footpath licenses.

Property Services is required to ensure Council is undertaking property transactions in a legal manner, with the appropriate compensation paid for any burdens created over Council land such as easements.

General Manager's Internal Services

This service oversees the provision of General Counsel, Internal Ombudsman and Special Projects to ensure the effective delivery of all Council services.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2023	2022
Ordinary rates		
Residential	71,715	69,544
Business	34,827	33,422
Less: pensioner rebates	(2,089)	(2,079)
Rates levied to ratepayers	104,453	100,887
Pensioner rate subsidies received	1,005	1,037
Total ordinary rates	105,458	101,924
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	46,422	43,369
Stormwater management services	1,810	1,774
Less: pensioner rebates	(888)	(884)
Annual charges levied	47,344	44,259
Pensioner annual charges subsidies received:		
– Domestic waste management	335	346
Total annual charges	47,679	44,605
Total rates and annual charges	153,137	146,529

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 at 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 recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

\$ '000	Timing	2023	2022
Specific user charges (per s502 - specific 'actual use' charges)			
Waste management services (non-domestic)	2	734	678
Other		40	52
Total specific user charges		774	730
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Building regulation	2	530	337
Inspection services	2	619	446
Regulatory/ statutory fees	2	–	6
Registration fees	2	76	78
Section 10.7 certificates (EP&A Act)	2	474	444
Section 603 certificates	2	285	316
Town planning	2	3,182	3,289
Other		38	135
Total fees and charges – statutory/regulatory		5,204	5,051
(ii) Fees and charges – other (incl. general user charges (per s608))			
Aged care	2	365	356
Child care	2	11,755	10,500
Community centres	2	1,723	810
Lease rentals	2	1,011	982
Parking fees	2	274	224
Restoration charges	2	1,364	2,008
Swimming centres	2	2,369	1,074
Administration	2	41	40
Community events	2	402	6
Community services	2	951	622
Function centres	2	585	439
Other	2	221	612
Housing and community amenities	2	150	299
Libraries	2	109	108
Recreation and parks	2	2,330	2,014
Transport and communication	2	1,447	1,047
Total fees and charges – other		25,097	21,141
Total other user charges and fees		30,301	26,192
Total user charges and fees		31,075	26,922
Timing of revenue recognition for user charges and fees			
User charges and fees recognised at a point in time (2)		31,075	26,922
Total user charges and fees		31,075	26,922

The timing column notation (above) identifies the revenue recognition pattern for material items of Council's revenue:

- (1) indicates income recognised under AASB 15 or AASB 1058 “over time”,
- (2) indicates income recognised under AASB 15 or AASB 1058 “at a point in time”.

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 or in some cases such as caravan parks, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

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

B2-2 User charges and fees (continued)

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 over the term of the licence.

B2-3 Other revenues

\$ '000	Timing	2023	2022
Fines – parking	2	4,215	5,234
Fines – other	2	77	61
Legal fees recovery – rates and charges (extra charges)	2	132	176
Legal fees recovery – other	2	17	20
Diesel rebate	2	56	62
Insurance claims recoveries	2	266	518
Other	2	793	897
Vehicle lease recovery	2	484	481
Lifelong learning	2	19	5
Total other revenue		6,059	7,454
Timing of revenue recognition for other revenue			
Other revenue recognised at a point in time (2)		6,059	7,454
Total other revenue		6,059	7,454

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 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial Assistance Grant – general component	2	2,676	3,973	–	–
Payment in advance - future year allocation					
Financial Assistance Grant – general component		9,383	6,107	–	–
Amount recognised as income during current year		12,059	10,080	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Aged care	2	1,068	1,154	–	–
Child care		17	–	–	–
Community care	2	526	793	–	–
Economic development		166	–	–	–
Environmental programs	2	734	156	–	–
Heritage and cultural	2	51	356	14	–
Library	2	955	734	–	–
LIRS subsidy	2	345	343	–	–
Recreation and culture	2	1,614	25	8,775	3,364
Child care/family day care	2	455	1,219	–	–
Child Care Covid Grant	2	–	590	–	–
Street lighting	2	686	672	–	–
Other specific grants	2	218	404	–	–
Transport (roads to recovery)	2	1,040	1,040	–	–
Transport (other roads and bridges funding)	2	1,305	574	–	–
Previously contributions:					
Community services	2	3	15	–	–
Recreation and culture	2	–	–	5	–
Roads and bridges		82	387	13,000	8,909
Transport for NSW contributions (regional roads, block grant)	2	1,606	1,387	–	–
Other contributions	2	946	906	41	–
Community enhancement fund	2	563	1,055	–	–
Waste performance program	2	135	137	–	–
Total special purpose grants and non-developer contributions – cash		12,515	11,947	21,835	12,273
Total special purpose grants and non-developer contributions (tied)		12,515	11,947	21,835	12,273
Total grants and non-developer contributions		24,574	22,027	21,835	12,273

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Comprising:					
– Commonwealth funding		2,134	12,024	3,032	4,754
– State funding		20,743	8,089	12,525	5,460
– Other funding		1,697	1,914	6,278	2,059
		<u>24,574</u>	<u>22,027</u>	<u>21,835</u>	<u>12,273</u>

Developer contributions

\$ '000	Notes	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):		F5				
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	20,190	8,121
S 7.11 – LGA administration		2	–	–	467	136
S 7.11a – employment generation development		2	–	–	2,807	2,522
Total developer contributions – cash			<u>–</u>	<u>–</u>	<u>23,464</u>	<u>10,779</u>
Total developer contributions			<u>–</u>	<u>–</u>	<u>23,464</u>	<u>10,779</u>
Total contributions			<u>–</u>	<u>–</u>	<u>23,464</u>	<u>10,779</u>
Total grants and contributions			<u>24,574</u>	<u>22,027</u>	<u>45,299</u>	<u>23,052</u>
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised at a point in time (2)			<u>24,574</u>	<u>22,027</u>	<u>45,299</u>	<u>23,052</u>
Total grants and contributions			<u>24,574</u>	<u>22,027</u>	<u>45,299</u>	<u>23,052</u>

B2-4 Grants and contributions (continued)

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:

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Unspent grants and contributions				
Unexpended Grants at the close of the previous reporting period	2,756	1,245	12,647	14,027
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	4,099	3,053	19,674	7,749
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(2,971)	(1,542)	(17,356)	(9,129)
Unspent funds at 30 June	3,884	2,756	14,965	12,647
Contributions				
Unexpended Contributions at the close of the previous reporting period	96,975	87,868	–	–
Add: contributions received and not recognised as revenue in the current year	26,495	11,718	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(10,901)	(2,611)	–	–
Unspent contributions at 30 June	112,569	96,975	–	–

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement. 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).

B2-4 Grants and contributions (continued)

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

\$ '000	2023	2022
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	559	537
– Cash and investments	6,892	700
Total interest and investment income (losses)	7,451	1,237
Interest and investment income is attributable to:		
Overdue rates and annual charges (general fund)	559	537
General Council cash and investments	3,880	(88)
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	3,012	788
Total interest and investment income	7,451	1,237

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2023	2022
Fair value increment on investment properties			
Fair value increment on investment properties		–	3,955
Total fair value increment on investment properties	C1-7	–	3,955
Rental income			
Investment properties			
Lease income		2,688	2,479
Total Investment properties		2,688	2,479
Total rental income	C2-2	2,688	2,479
Fair value increment on investments			
Fair value (decrement)/increment on investments through profit and loss		278	(1,001)
Fair value increment on investments (Civic Risk)		937	348
Total Fair value increment on investments		1,215	(653)
Total other income		3,903	5,781

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	63,790	60,003
Employee termination costs	260	1,069
Employee leave entitlements (ELE)	10,948	10,253
Superannuation – SGC	6,854	6,271
Superannuation – defined benefit plans	655	867
Workers' compensation insurance	1,422	1,650
Fringe benefit tax (FBT)	543	380
Protective clothing	157	137
Other	–	41
Total employee costs	84,629	80,671
Less: capitalised costs	(3,505)	(2,943)
Total employee costs expensed	81,124	77,728

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 D3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		13,197	11,700
Contractor costs		14,689	14,312
– waste disposal tipping fees		24,755	23,538
– facility and infrastructure management		5,949	6,672
– agency staff		1,063	938
– other		2,899	1,982
Audit Fees	E2-1	206	205
Infringement notice contract costs (SEINS)		506	609
Councillor and Mayoral fees and associated expenses	E1-2	734	543
Advertising		340	363
Bank charges		433	469
Electricity and heating		2,629	1,771
Insurance		3,196	3,092
Postage		334	293
Printing and stationery		211	160
Street lighting		3,106	2,922
Subscriptions and publications		583	461
Telephone and communications		1,057	999
Valuation fees		336	348
Other expenses		1,709	1,123
Education programs		72	70
Community events		2,326	1,386
Information technology fees		3,618	3,288
Water rates and charges		1,329	1,123
Gas charges		85	118
Publicity, promotions, events		217	194
Legal expenses:			
– Legal expenses: planning and development		136	121
– Legal expenses: debt recovery		124	174
– Legal expenses: other		281	142
Expenses from leases of low value assets		293	268
Total materials and services		86,413	79,384

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2023	2022
(i) Interest bearing liability costs		
Interest on leases	291	107
Interest on loans	627	934
Total interest bearing liability costs	918	1,041
Total borrowing costs expensed	918	1,041

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	2023	2022
Depreciation and amortisation			
Plant and equipment		1,330	1,368
Office equipment		688	648
Furniture and fittings		282	262
Infrastructure:	C1-6		
– Buildings		9,663	8,783
– Roads		11,823	11,035
– Bridges		1,101	636
– Footpaths		3,414	2,230
– Stormwater drainage		6,104	5,509
– Swimming pools		238	219
– Other open space/recreational assets		4,177	4,001
Right of use assets	C2-1	1,719	1,344
Other assets:			
– Library books		482	443
– Other		772	722
Intangible assets	C1-8	1,081	1,957
Total gross depreciation and amortisation costs		42,874	39,157
Total depreciation, amortisation and impairment for non-financial assets		42,874	39,157

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. Useful lives are included in Note C1-6 for IPPE assets and Note C1-8 for intangible assets. Depreciation is capitalised where in-house assets have contributed to new assets.

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

\$ '000	Notes	2023	2022
Impairment of receivables			
Other		706	363
Total impairment of receivables	C1-4	706	363
Fair value decrement on investment properties			
Fair value decrement on investment properties		9,567	–
Total fair value decrement on investment properties	C1-7	9,567	–
Other			
Contributions/levies to other levels of government			
– Department of planning levy		302	297
– NSW fire brigade levy		3,002	2,416
Donations, contributions and assistance to other organisations (Section 356)		483	44
Total other		3,787	2,757
Total other expenses		14,060	3,120

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	2023	2022
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		460	550
Less: carrying amount of property assets sold/written off		(481)	(130)
Gain (or loss) on disposal		(21)	420
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		225	175
Gain (or loss) on disposal		225	175
Net gain (or loss) from disposal of assets		204	595

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 15 June 2022 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 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	2023 Budget	2023 Actual	2023 ----- Variance -----	
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Revenues

Operating grants and contributions	18,854	24,574	5,720	30% F
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Council achieved a positive budget variance on operating grants and contributions during the 2022/23 financial period. This positive variance is mainly attributable to an additional 25% brought forward payment of the financial assistance grant. Council also received a number of new grants, mainly for environment and sustainability projects.

Capital grants and contributions	12,030	45,299	33,269	277% F
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Council received a number of new/unbudgeted capital grants in the 2022/23 financial year. These funds were utilised in council's capital works program during the year. Council also had close to a 100% increase on developer contributions during the period, accounting for the remainder of the budget variance in this category.

Interest and investment revenue	1,971	7,451	5,480	278% F
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Council achieved significantly higher interest returns during the 2022/23 financial year. These returns were achieved due to a combination of increasing interest rates throughout the year and council holding more cash on hand to be able to invest.

Net gains from disposal of assets	350	204	(146)	(42)% U
--	-----	-----	-------	----------------

Due to supply chain issues, Council has a large backlog of orders for the purchase of new plant items. As a result of this backlog, Council was unable to sell off as many older plant items as was included in the original budget assumptions for 2022/23.

Other income	2,320	3,903	1,583	68% F
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Council's other income is made up of revenue generated by the lease of council properties. During the 2022/23 financial year Council generated additional returns resulting from increased rentals via market reviews and increased utilisation than was included in the original forecast.

Reversal of revaluation decrements / impairment of IPP&E previously expensed	-	18,573	18,573	∞ F
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This category of revenue is the result of asset revaluations performed at year end. Results of asset revaluations are unable to be forecast in the original budget, as they are outside of the control of Council and subject to market fluctuations. For the 2022/23 financial period the result of these revaluation movements was an additional reporting non-cash income amount of \$18.6m against nil budget.

Expenses

Depreciation, amortisation and impairment of non-financial assets	39,161	42,874	(3,713)	(9)% U
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Council had a negative budget variance on depreciation expense. This variance was the result of a desktop revaluation increasing the value of council infrastructure assets completed after the setting of the 2022/23 budget. Road assets had the largest increase in depreciation resulting from these increased values.

B6 Material Income Statement items

B6-1 Material Income Statement items

Material reversal of revaluation decrements on IPPE previously expensed

\$ '000	2023	2022
Infrastructure	18,573	53,022
Total material reversal of revaluation decrements on IPPE previously expensed	18,573	53,022
Total material reversal of revaluation decrements on IPPE previously expensed	18,573	53,022

C Financial position**C1 Assets we manage****C1-1 Cash and cash equivalents**

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank	8,596	1,322
Total cash and cash equivalents	8,596	1,322
 Reconciliation of cash and cash equivalents		
Total cash and cash equivalents per Statement of Financial Position	8,596	1,322
Balance as per the Statement of Cash Flows	8,596	1,322

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	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Financial assets at fair value through the profit and loss				
Managed funds	–	12,476	–	11,760
Floating rate notes	–	40,818	3,153	38,819
CivicRisk Mutual	–	5,986	–	5,049
Fixed rate bonds	4,700	6,267	3,000	7,164
Total	4,700	65,547	6,153	62,792
Debt securities at amortised cost				
Term deposits	109,000	34,000	89,153	29,000
Total	109,000	34,000	89,153	29,000
Total financial investments	113,700	99,547	95,306	91,792
Total cash assets, cash equivalents and investments	122,296	99,547	96,628	91,792

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.

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, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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 the Income Statement.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in the Income Statement.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

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

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	221,843	188,420
Cash, cash equivalents and investments not subject to external restrictions	80,543	69,499

External restrictions

External restrictions included in cash, cash equivalents and investments above comprise:

Developer contributions – general	112,569	96,975
Specific purpose unexpended grants – general fund	18,725	15,403
Domestic waste management	6,837	4,713
Stormwater management	3,169	1,830
Total external restrictions	141,300	118,921

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	2023	2022
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	80,543	69,499

Internal allocations

At 30 June, Council has internally allocated funds to the following:

Employees leave entitlement	7,293	7,204
Marrong Reserve South	3,154	3,154
Special Rate Variation	6,038	6,739
Woodville Reserve	628	1,326
S355 Park committee	439	597
Merrylands CBD Reserve	3,727	6,175
Voluntary Planning Agreements	5,394	2,296
Financial Assistance Grant Reserve	9,383	6,107
CivicRisk Mutual	5,986	5,049
Property Reserve	6,657	9,057
Infrastructure reserve	20,344	11,045
Community reserve	1,500	750
Total internal allocations	70,543	59,499

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

\$ '000	2023	2022
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	10,000	10,000

C1-4 Receivables

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Rates and annual charges	8,743	–	8,485	–
Interest and extra charges	999	–	334	–
User charges and fees	6,636	–	4,855	–
Accrued revenues				
– Interest on investments	2,236	–	587	–
– Other income accruals	115	–	129	–
Net GST receivable	2,467	–	1,851	–
Childrens and community services	369	–	148	–
Other debtors	177	–	195	–
Total	21,742	–	16,584	–
Less: provision for impairment				
User charges and fees	(885)	–	(482)	–
Total provision for impairment – receivables	(885)	–	(482)	–
Total net receivables	20,857	–	16,102	–

\$ '000	2023	2022
Movement in provision for impairment of receivables		
Balance at the beginning of the year	482	550
+ new provisions recognised during the year	623	265
– amounts already provided for and written off this year	(220)	(333)
Balance at the end of the year	885	482

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 experience and informed credit assessment, and including forward-looking information.

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.

C1-4 Receivables (continued)

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.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

C1-5 Inventories

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(i) Inventories				
Stores and materials	240	–	234	–
Total inventories	240	–	234	–
Total inventories	240	–	234	–

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 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period							At 30 June 2023		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions ¹	Carrying value of disposals	Depreciation expense	Impairment reversal / prior period revaluation decrements reversal (via P&L)	WIP transfers	Transfers/ Other adjustments	Revalue increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	19,559	–	19,559	69,015	–	–	–	(49,770)	–	–	38,804	–	38,804
Plant and equipment	21,967	(17,554)	4,413	–	(9)	(1,330)	–	543	–	–	21,178	(17,561)	3,617
Office equipment	17,199	(13,738)	3,461	–	–	(688)	–	339	–	–	17,539	(14,426)	3,113
Furniture and fittings	6,726	(4,822)	1,904	–	–	(282)	–	226	–	–	6,952	(5,104)	1,848
Land:													
– Operational land	398,612	–	398,612	–	(481)	–	–	1,745	481	32,625	432,983	–	432,983
– Community land ²	396,877	–	396,877	–	–	–	–	–	(481)	120,437	516,832	–	516,832
– Land under roads (post 30/6/08)	143	–	143	–	–	–	–	–	–	1,125	1,268	–	1,268
Infrastructure:													
– Buildings	463,275	(122,527)	340,748	–	–	(9,663)	–	8,967	–	22,171	499,209	(136,985)	362,224
– Roads	860,681	(266,572)	594,109	–	–	(11,823)	12,601	24,337	–	58,409	1,024,916	(347,283)	677,633
– Bridges	86,027	(4,372)	81,655	–	–	(1,101)	–	1,250	–	5,260	92,888	(5,826)	87,062
– Footpaths	253,211	(66,456)	186,755	–	–	(3,414)	–	3,109	–	15,307	277,362	(75,605)	201,757
– Stormwater drainage	712,942	(232,357)	480,585	–	–	(6,104)	5,972	4,612	–	35,901	780,268	(259,302)	520,966
– Swimming pools	11,903	(3,413)	8,490	–	–	(238)	–	48	–	436	12,549	(3,814)	8,735
– Other open space/recreational assets	198,485	(48,976)	149,509	–	–	(4,177)	–	3,627	–	16,107	223,971	(58,903)	165,068
Other assets:													
– Library books	18,388	(14,588)	3,800	–	–	(482)	–	562	–	–	18,950	(15,070)	3,880
– Other	4,568	(2,154)	2,414	–	–	(772)	–	405	–	–	4,973	(2,927)	2,046
Total infrastructure, property, plant and equipment	3,470,563	(797,529)	2,673,034	69,015	(490)	(40,074)	18,573	–	–	307,778	3,970,642	(942,806)	3,027,836

(1) Renewals (\$45.3m) are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

(2) Community Land includes Crown land value of \$89m.

C1-6 Infrastructure, property, plant and equipment (continued)

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 ¹	Carrying value of disposals	Depreciation expense	Impairment reversal / prior period revaluation decrements reversal (via P&L)	WIP transfers	Transfers/ Other adjustments	Revalue increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	20,240	–	20,240	39,127	–	–	–	(39,807)	–	–	19,559	–	19,559
Plant and equipment	26,693	(21,543)	5,150	644	(14)	(1,368)	–	–	–	–	21,967	(17,554)	4,413
Office equipment	16,845	(13,090)	3,755	–	–	(648)	–	354	–	–	17,199	(13,738)	3,461
Furniture and fittings	6,395	(4,560)	1,835	–	–	(262)	–	331	–	–	6,726	(4,822)	1,904
Land:													
– Operational land	398,612	–	398,612	–	–	–	–	–	–	–	398,612	–	398,612
– Community land	396,579	–	396,579	–	–	–	–	298	–	–	396,877	–	396,877
– Land under roads (post 30/6/08)	143	–	143	–	–	–	–	–	–	–	143	–	143
Infrastructure:													
– Buildings	431,337	(107,356)	323,981	–	–	(8,783)	–	7,786	–	17,764	463,275	(122,527)	340,748
– Roads	832,891	(247,708)	585,183	–	(164)	(11,035)	15,372	5,742	(989)	–	860,681	(266,572)	594,109
– Bridges	50,510	(7,547)	42,963	–	40	(636)	–	1,453	2,914	34,921	86,027	(4,372)	81,655
– Footpaths	161,402	(51,650)	109,752	–	–	(2,230)	–	4,918	–	74,319	253,211	(66,456)	186,755
– Stormwater drainage	642,041	(208,644)	433,397	–	–	(5,509)	37,648	15,049	–	–	712,942	(232,357)	480,585
– Swimming pools	10,936	(2,929)	8,007	–	–	(219)	–	39	–	661	11,903	(3,413)	8,490
– Other open space/recreational assets	177,470	(40,259)	137,211	–	(1)	(4,001)	–	3,327	(1,925)	14,898	198,485	(48,976)	149,509
Other assets:													
– Library books	17,857	(14,145)	3,712	531	–	(443)	–	–	–	–	18,388	(14,588)	3,800
– Other	4,058	(1,433)	2,625	–	–	(722)	–	510	–	–	4,568	(2,154)	2,414
Total infrastructure, property, plant and equipment	3,194,009	(720,864)	2,473,145	40,302	(139)	(35,856)	53,020	–	–	142,563	3,470,563	(797,529)	2,673,034

(1) Renewals (\$29.5m) are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

C1-6 Infrastructure, property, plant and equipment (continued)

Accounting policy

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.

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. 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:

Plant and equipment	Years	Other equipment	Years
Office equipment	3 to 15	Playground equipment	5 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Vehicles	5 to 10		
Heavy plant/road making equipment	5 to 10	Buildings	
Other plant and equipment	3 to 15	Main and superstructure	100
		Others	20 to 100
Other infrastructure assets		Stormwater assets	
Swimming pools	20 to 100	Drains	80 to 120
Other open space/recreational assets	5 to 100	GPTs	20 to 60
Other infrastructure	5 to 75	Pits	100
Transportation assets			
Roads surfaces	10 to 100		
Road pavements	120 to 150		
Bridges	40 to 100		
Pathways	30 to 80		
Kerbs and gutters	100		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB116 Property, Plant and Equipment.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

C1-7 Investment properties

\$ '000	2023	2022
Owned investment property		
Investment property on hand at fair value	67,384	76,814
Total owned investment property	67,384	76,814
Owned investment property		
At fair value		
Opening balance at 1 July	76,814	72,859
Net gain/(loss) from fair value adjustments	(9,567)	3,955
Other movements	137	–
Closing balance at 30 June	67,384	76,814

Accounting policy

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2023	2022
Software		
Opening values at 1 July		
Gross book value	13,208	13,185
Accumulated amortisation	(12,127)	(10,170)
Net book value – opening balance	1,081	3,015
Movements for the year		
Other movements	–	1,934
Purchases	–	23
Amortisation charges	(1,081)	(1,957)
Closing values at 30 June		
Gross book value	13,208	13,208
Accumulated amortisation	(13,208)	(12,127)
Total software – net book value	–	1,081
Total intangible assets – net book value	–	1,081

Accounting policy

IT development and software

Software development costs include only those costs directly attributable to the development phase (including external direct costs of materials and services, direct payroll, and payroll-related costs of employees' time spent on the project) and are only recognised following completion of technical feasibility, and where the Council has an intention and ability to use the asset. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including vehicle, photocopiers, plant and equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

These leases have between 1 and 5 years remaining.

Vehicles

Council leases vehicles and equipment with lease terms varying from 1 to 5 years; the lease payments are fixed during the lease term however some of the leases include variable payments based on usage and there is generally no renewal option.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 1 and 5 years with no renewal option, the payments are fixed,

Plant and Equipment

Leases for Plant and Equipment are generally between 1 and 5 years and the payments are fixed.

(a) Right of use assets

\$ '000	Motor Vehicles	Photocopiers	Plant & Equip	Total
2023				
Opening balance at 1 July	2,265	–	–	2,265
Additions to right-of-use assets	6,726	–	–	6,726
Depreciation charge	(1,645)	(23)	(51)	(1,719)
Balance at 30 June	7,272	–	–	7,272
2022				
Opening balance at 1 July	1,852	–	–	1,852
Additions to right-of-use assets	1,683	–	–	1,683
Depreciation charge	(1,270)	(25)	(49)	(1,344)
Balance at 30 June	2,265	–	–	2,265

(b) Lease liabilities

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Lease liabilities	2,052	5,344	1,158	1,146
Total lease liabilities	2,052	5,344	1,158	1,146

C2-1 Council as a lessee (continued)

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2023					
Cash flows	2,052	3,992	1,352	7,396	7,396
2022					
Cash flows	1,158	1,146	–	2,304	2,304
<hr/>					
\$ '000	2023		2022		
	Current	Non-current	Current	Non-current	
Total lease liabilities relating to unrestricted assets	2,052	5,344	1,158	1,146	
Total lease liabilities	2,052	5,344	1,158	1,146	

(d) Income Statement

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

\$ '000	2023	2022
Interest on lease liabilities	291	107
Depreciation of right of use assets	1,719	1,344
Expenses relating to low-value leases	293	268
	2,303	1,719

(e) Statement of Cash Flows

Total cash outflow for leases	2023	2022
	1,884	1,412
	1,884	1,412

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.

C2-1 Council as a lessee (continued)

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.

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

Council leases out a number of properties; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property in the Statement of Financial Position.

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

\$ '000	2023	2022
(i) Operating Lease Income		
Investment Properties		
Lease income	2,688	2,479
Total income relating to operating leases for investment property assets	2,688	2,479

C3 Liabilities of Council

C3-1 Payables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Goods and services – operating expenditure	9,519	–	6,457	–
Accrued expenses:				
– Other expenditure accruals	6,868	–	4,218	–
Security bonds, deposits and retentions	29,632	–	25,127	–
Other	422	–	686	–
Total payables	46,441	–	36,488	–

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

\$ '000	2023	2022
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	23,706	20,075
Total payables	23,706	20,075

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.

The financial liabilities of the Council comprise trade payables, bank and other loans.

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

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	14,965	-	12,647	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	3,884	-	2,756	-
Total grants received in advance		18,849	-	15,403	-
Other		1,264	-	904	-
Total user fees and charges received in advance		1,264	-	904	-
Total contract liabilities		20,113	-	16,307	-

Notes

(i) Council has received funding to construct assets including sporting facilities, bridges, library and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

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

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

\$ '000	2023	2022
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	16,145	12,347
Operating grants (received prior to performance obligation being satisfied)	2,971	2,756
Total revenue recognised that was included in the contract liability balance at the beginning of the period	19,116	15,103

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

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Loans – secured ¹	3,463	17,339	5,364	20,802
Total borrowings	3,463	17,339	5,364	20,802

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in D1-1.

Current borrowings not anticipated to be settled within the next twelve months

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

(a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	26,166	(5,364)	–	–	–	–	20,802
Lease liability (Note C2-1b)	2,304	5,092	–	–	–	–	7,396
Total liabilities from financing activities	28,470	(272)	–	–	–	–	28,198

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	31,384	(5,218)	–	–	–	–	26,166
Lease liability (Note C2-1b)	1,888	416	–	–	–	–	2,304
Total liabilities from financing activities	33,272	(4,802)	–	–	–	–	28,470

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
Bank overdraft facilities ¹	1,500	1,500
Credit cards/purchase cards	125	125
Total financing arrangements	1,625	1,625
Undrawn facilities		
– Bank overdraft facilities	1,500	1,500
– Credit cards/purchase cards	125	125
Total undrawn financing arrangements	1,625	1,625

Additional financing arrangements information

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

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.

C3-3 Borrowings (continued)

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.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or borrowing costs.

C3-4 Employee benefit provisions

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Annual leave	7,777	33	7,357	38
Sick leave	400	–	407	–
Long service leave	11,072	430	10,112	488
ELE on-costs	1,735	–	1,621	–
Total employee benefit provisions	20,984	463	19,497	526
Total employee benefit provisions relating to unrestricted assets	20,984	463	19,497	526
Total employee benefit provisions	20,984	463	19,497	526

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	13,668	12,172
	13,668	12,172

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 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.

D Risks and accounting uncertainties

D1-1 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.

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

Financial risk management is carried out by Council's finance section under policies approved by the Council.

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and measure at amortised cost investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **at fair value through profit and loss** or (ii) **at fair value through other comprehensive income** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance 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 before placing any funds in cash equivalents and investments.

(a) Market risk – interest rate and price risk

\$ '000	2023	2022
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	2,170	1,601
Impact of a 10% movement in market values	6,450	6,393

D1-1 Risks relating to financial instruments held (continued)

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

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, whether through exposure to individual customers, specific industry sectors and/or regions.

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

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

There are no material receivables that have been 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 recover these debts as a secured charge over the land; that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages payment.

\$ '000	Not yet overdue rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
2023				
Gross carrying amount	–	8,436	307	8,743
2022				
Gross carrying amount	–	8,195	290	8,485

Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors and contract assets to provide for expected credit losses, which permits the use of the lifetime expected loss provision at inception. To measure the expected credit losses, non-rates and annual charges debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision 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	
2023						
Gross carrying amount	10,965	425	203	72	1,334	12,999
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	885	885
2022						
Gross carrying amount	6,110	702	160	272	855	8,099
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	482	482

D1-1 Risks relating to financial instruments held (continued)

(c) Liquidity risk

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

Council manages this risk by monitoring its cash flow requirements and liquidity levels, and by maintaining an adequate cash buffer. Payment terms can be extended, and overdraft facilities drawn upon in extenuating circumstances.

Borrowings are also subject to interest rate risk: the risk that movements in interest rates could adversely affect funding costs. Council manages this risk through diversification of borrowing types, maturities and interest rate structures.

The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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 for non-lease liabilities (refer to Note C2-1(b) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2023							
Payables	0.00%	29,632	15,282	–	–	44,914	46,441
Borrowings	2.55%	–	3,463	13,797	3,542	20,802	20,802
Total financial liabilities		29,632	18,745	13,797	3,542	65,716	67,243
2022							
Payables	0.00%	25,127	11,361	–	–	36,488	36,488
Borrowings	2.63%	–	5,364	15,723	5,079	26,166	26,166
Total financial liabilities		25,127	16,725	15,723	5,079	62,654	62,654

D2-1 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
- Financial assets and liabilities

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).

\$ '000	Notes	Date of latest valuation 2023	Fair value measurement hierarchy			Total 2023
			Level 1 Quoted prices in active mkts 2023	Level 2 Significant observable inputs 2023	Level 3 Significant unobservable inputs 2023	
Recurring fair value measurements						
Financial assets						
Financial investments	C1-2					
Fair Value through profit and loss		30/06/23	–	–	69,310	69,310
Total financial assets			–	–	69,310	69,310
Investment property						
Investment Property	C1-7	30/06/23	–	67,384	–	67,384
Total investment property			–	67,384	–	67,384
Infrastructure, property, plant and equipment						
Operational land	C1-6	30/06/23	–	432,983	–	432,983
Community land		30/06/23	–	–	516,832	516,832
Land under roads (post 30/6/08)		30/06/23	–	–	1,268	1,268
Open Space / Recreational Assets		30/06/23	–	–	165,068	165,068
Buildings		30/06/23	–	–	362,224	362,224
Roads		30/06/23	–	–	677,633	677,633
Bridges		30/06/23	–	–	87,062	87,062
Footpaths		30/06/23	–	–	201,757	201,757
Stormwater drainage		30/06/23	–	–	520,966	520,966
Swimming pools		30/06/23	–	–	8,735	8,735
Total infrastructure, property, plant and equipment			–	432,983	2,541,545	2,974,528

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

At fair value through profit and loss are represented by Floating Rate Notes and Covered Bonds. Council obtains valuations from its Investment Advisor on a monthly basis and at the end of each accounting period to ensure the financial statements reflect the most up to date valuation. The valuations of Floating Rate Notes are sourced from Reuters based on mid-market

D2-1 Fair value measurement (continued)

prices. That is, valuations are marked at the mid-point of the bid and ask prices in the secondary market. This price represents a general market value for the asset. There has been no change to the valuation techniques during the reporting period. Australian Stock Exchange (ASX) retail listed securities are listed on the ASX. Valuations are sourced directly on the ASX using the closing price at the end of the reporting period.

Infrastructure, property, plant and equipment (IPPE)

Operational Land

Operational land had been valued by using an independent valuer.

Community Land

Council's community land was valued based on the Land Value (LV) provided by the Valuer-General in 2019.

Land Under Roads

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment. Values were determined by valuation of road segments at the average unit value of properties adjoining the relevant road segment and then discounted by 90% in accordance with the Code.

Buildings - Non specialised and Specialised

Council's buildings were valued based on the condition survey approach described in IPWEA's Practice Note 3 for Buildings and were used to determine the expected life ranges and criticality factors to produce the Depreciated Replacement Cost (DRC) Values and associated depreciation by component. While all buildings were physically inspected inputs such as estimates of residual value and pattern of consumption required.

Roads and Bridges

The roads asset class includes roads, defined as the trafficable portion of a road, between but not including the kerb and gutter. Other road assets including Bridges, Carparks, Kerb and Gutter, Traffic facilities and Footpaths are also included. The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value.

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, and various types of water quality devices. The Level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement.

Swimming Pools

While some elements of gross replacement values could be supported from market evidence other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

Open Space Assets

Assets within this class comprise Tennis Courts, Synthetic Surfaces, BBQs, Regional Sporting Facilities and Playgrounds. All assets in this class were valued in-house by experienced engineering & asset management staff. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

D3-1 Contingencies

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme (Active Super) – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors 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 members).

Description of the funding arrangements.

Pooled employers are required to pay future service employer contributions and past service employer contributions to the fund.

The future 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 employee contributions for non-180Point Members; Nil for 180 point members
Division C	2.5% salaries
Division D	1.64 times employee contributions

* For 180 Point Members, Employers are required to contribute 8.0% of salaries for the year ending 30/06/2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20.0 million per annum for 1 January 2022 to 31 December 2024 (prior periods were \$40.0 million per annum), apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities.

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

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) 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 Council.

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2023 was \$559,792.42. The last valuation of the Scheme was performed by Fund Actuary Richard Boyfield, FIAA as at 30 June 2022.

D3-1 Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$284,575.44. Council's expected contribution to the plan for the next annual reporting period is \$461,295.72.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2023 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	\$2,290.9	
Past Service Liabilities	\$2,236.1	102.4%
Vested Benefits	\$2,253.6	101.7%

* excluding member accounts and reserves in both assets and liabilities.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$294,966 as at 30 June 2023.

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

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6.0% for FY22/23 2.5% per annum thereafter

* Plus promotional increases

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.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

Council has provided no other guarantees other than those listed above.

D3-1 Contingencies (continued)

2. Other liabilities

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

ASSETS NOT RECOGNISED

(i) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

E People and relationships

E1 Related party disclosures

E1-1 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	2023	2022
Compensation:		
Short-term benefits	2,353	1,943
Termination benefits	–	427
Total	2,353	2,370

E1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	92	81
Councillors' fees	475	425
Councillor Superannuation	37	–
Other Councillors' expenses (including Mayor)	130	37
Total	734	543

E2 Other relationships

E2-1 Audit fees

\$ '000	2023	2022
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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:

(i) Audit and other assurance services

Audit and review of financial statements

206	205
-----	-----

Remuneration for audit and other assurance services

206	205
-----	-----

Total Auditor-General remuneration

206	205
-----	-----

Non NSW Auditor-General audit firms

Total audit fees

206	205
-----	-----

F Other matters

F1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2023	2022
Net operating result from Income Statement	64,886	86,189
Add / (less) non-cash items:		
Depreciation and amortisation	42,874	39,157
(Gain) / loss on disposal of assets	(204)	(595)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L	(18,573)	(53,022)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	(1,215)	653
– Investment property	9,567	(3,955)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(5,158)	931
Increase / (decrease) in provision for impairment of receivables	403	(68)
(Increase) / decrease of inventories	(6)	(18)
(Increase) / decrease of other current assets	(93)	(205)
Increase / (decrease) in payables	3,062	1,548
Increase / (decrease) in other accrued expenses payable	2,650	(1,652)
Increase / (decrease) in other liabilities	4,241	2,185
Increase / (decrease) in contract liabilities	3,806	822
Increase / (decrease) in employee benefit provision	1,424	(253)
Net cash flows from operating activities	107,664	71,717

F2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2023	2022
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	697	3,151
Open Space	15,920	1,856
Office Equipment	881	1,361
Drainage	1,161	10,921
Footpaths	580	19
Roads	8,755	11,215
Investment property		
– Land	39	26
Total commitments	28,033	28,549
These expenditures are payable as follows:		
Within the next year	28,033	28,549
Total payable	28,033	28,549

F3-1 Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

WestInvest future funding

During the 2022/23 financial year it was announced that Cumberland City Council had been successful in obtaining 2 rounds of funding from the NSW Government's "WestInvest" program.

From the first round, more than \$29 million in WestInvest funding has been allocated to three projects:

\$14.6 million for the Guildford Pool Modernisation project which will revitalise the existing 50-year-old centre, including a new outdoor pool, water play park and change room facilities.

\$7.6 million for the Lidcombe Town Centre High Street Activation project to deliver improved public domain and outdoor dining spaces to foster a strong sense of community belonging

\$7 million for the Civic Park Pendle Hill Upgrade project to build on work already funded to create a new parkland, including a new table tennis zone, multi-purpose sport courts and barbecue areas.

From the competitive round, \$53.7 million was announced for Cumberland City Council to transform an under-utilised site at Greystanes into a precinct for indoor and outdoor sport including netball, AFL, football, cricket, baseball, rugby league, rugby union, cricket, basketball, volleyball and badminton.

At the time of preparing these financial statements, the grant agreements for Lidcombe Town Centre and Civic Park Pendle Hill Upgrade are in the process of being executed.

F4 Changes from prior year statements

F4-1 Correction of errors

Nature of prior-period errors

As part of the revaluation of community land it was identified that certain properties were in Council's ownership and not correctly recognised. This is mainly due to properties being duplicated as both operational and community land in councils asset register and a number of smaller parcels not included council's community land register. These errors have been restated in council's 30 June 2021 balances of Infrastructure, property, plant and equipment and retained earnings.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2021) and taking the adjustments through to accumulated surplus and the revaluation reserve at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

\$ '000	Original Balance 1 July, 2021	Impact Increase/ (decrease)	Restated Balance 1 July, 2021
Infrastructure, Property, Plant and Equipment	2,483,217	(10,072)	2,473,145
Total assets	2,742,718	(10,072)	2,732,646
Total liabilities	103,440	–	103,440
Net assets	2,639,278	(10,072)	2,629,206
Accumulated Surplus	2,328,626	(6,480)	2,322,146
Revaluation Reserve	310,652	(3,592)	307,060
Total equity	2,639,278	(10,072)	2,629,206

Adjustments to the comparative figures for the year ended 30 June 2022

Statement of Financial Position

\$ '000	Original Balance 30 June, 2022	Impact Increase/ (decrease)	Restated Balance 30 June, 2022
Infrastructure, Property, Plant and Equipment	2,683,106	(10,072)	2,673,034
Total assets	2,969,318	(10,072)	2,959,246
Total liabilities	101,288	–	101,288
Net assets	2,868,030	(10,072)	2,857,958
Accumulated Surplus	2,414,815	(6,480)	2,408,335
Revaluation Reserve	453,215	(3,592)	449,623
Total equity	2,868,030	(10,072)	2,857,958

F5 Statement of developer contributions as at 30 June 2023

F5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Open space	40,979	7,894	–	–	1,255	(3,792)	18	46,354	–
Community facilities	18,981	3,277	–	–	598	(562)	–	22,294	–
Public domain	16,963	3,357	–	–	532	(2,535)	–	18,317	–
Parking	(1,609)	–	–	–	(49)	–	–	(1,658)	–
Merrylands town centre	1,618	–	–	–	4	(1,622)	–	–	–
Woodville Ward	1,801	193	–	–	52	(1,751)	–	295	–
Administration	1,217	466	–	–	40	(140)	–	1,583	–
Accessibility and traffic	1,811	653	–	–	61	(35)	–	2,490	–
Traffic facilities	4,868	3,018	–	–	173	–	–	8,059	–
Drainage	(2,360)	–	–	–	(72)	–	–	(2,432)	–
S7.11 contributions – under a plan	84,269	18,858	–	–	2,594	(10,437)	18	95,302	–
S7.12 levies – under a plan	7,695	2,807	–	–	253	(416)	–	10,339	–
Total S7.11 and S7.12 revenue under plans	91,964	21,665	–	–	2,847	(10,853)	18	105,641	–
SEPP 59 agreements	5,011	1,799	–	–	166	(48)	–	6,928	–
Total contributions	96,975	23,464	–	–	3,013	(10,901)	18	112,569	–

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

F5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year				Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other						
CONTRIBUTION PLAN No. 2 (former Holroyd)										
Parking	(1,776)	–	–	–	(54)	–	–	(1,830)	–	
Open space	33,880	3,726	–	–	1,005	(3,792)	18	34,837	–	
Community facilities	13,107	701	–	–	400	(281)	–	13,927	–	
Public domain	10,953	589	–	–	327	(2,264)	–	9,605	–	
Drainage	(3,164)	–	–	–	(96)	–	–	(3,260)	–	
Administration	249	80	–	–	8	(48)	–	289	–	
Total	53,249	5,096	–	–	1,590	(6,385)	18	53,568	–	
MERRYLANDS TOWN CENTRE (former Holroyd)										
Merrylands town centre	1,618	–	–	–	4	(1,622)	–	–	–	
Total	1,618	–	–	–	4	(1,622)	–	–	–	
2007 Section 94 Contribution Plan (former Auburn)										
Drainage	804	–	–	–	24	–	–	828	–	
Parking	167	–	–	–	5	–	–	172	–	
Community facilities	3,312	1,071	–	–	108	(281)	–	4,210	–	
Accessibility and traffic	1,811	653	–	–	61	(35)	–	2,490	–	
Public domain	5,332	2,369	–	–	181	(271)	–	7,611	–	
Administration	856	250	–	–	28	(44)	–	1,090	–	
Total	12,282	4,343	–	–	407	(631)	–	16,401	–	
Woodville Ward										
Woodville Ward	1,801	193	–	–	52	(1,751)	–	295	–	
Total	1,801	193	–	–	52	(1,751)	–	295	–	
Cumberland Council Plan										
Traffic facilities	4,868	3,018	–	–	173	–	–	8,059	–	
Open space	7,099	4,168	–	–	250	–	–	11,517	–	
Community facilities	2,562	1,505	–	–	90	–	–	4,157	–	
Public domain	678	399	–	–	24	–	–	1,101	–	
Administration	112	136	–	–	4	(48)	–	204	–	
Total	15,319	9,226	–	–	541	(48)	–	25,038	–	

F5-2 Developer contributions by plan (continued)

S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
CONTRIBUTION PLAN (former Auburn)									
Other	5,258	17	–	–	157	(362)	–	5,070	–
Total	5,258	17	–	–	157	(362)	–	5,070	–
Cumberland Council Plan									
Other	2,437	2,790	–	–	96	(54)	–	5,269	–
Total	2,437	2,790	–	–	96	(54)	–	5,269	–

F6 Statement of performance measures

F6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	9,868	4.39%	3.18%	3.77%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	224,984				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	200,410	74.15%	80.37%	79.51%	> 60.00%
Total continuing operating revenue ¹	270,283				
3. Unrestricted current ratio					
Current assets less all external restrictions	103,029	3.09x	2.87x	2.61x	> 1.50x
Current liabilities less specific purpose liabilities	33,371				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	53,660	6.78x	6.16x	6.37x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7,916				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	9,742	5.99%	5.62%	6.37%	< 5.00%
Rates and annual charges collectable	162,647				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	151,596	10.55 months	8.52 months	7.54 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	14,372				

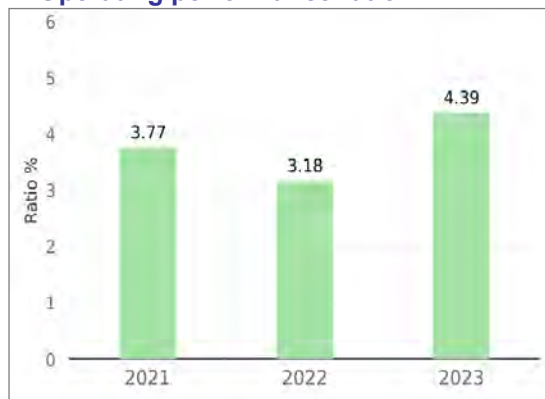
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets, net share of interests in joint ventures and associates using the equity method, Grant income reported in prior years due to changes in accounting standards and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

G Additional Council disclosures (unaudited)

G1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2022/23 result

2022/23 ratio 4.39%

This indicates Council's ability to contain operating expenditure within operating revenue. Ratio has improved in 2022/23 reflecting Council's commitment to maintain reasonable operating surpluses each year. Gains and losses on asset revaluations are excluded from this ratio, giving a more realistic view of councils performance.

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



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2022/23 result

2022/23 ratio 74.15%

This ratio highlights how reliant council is on grant and contribution income to fund works. The decrease of this ratio in 2022/23 reflects mainly an increase in capital grants from developer contributions and stimulus to assist with Road damaged by weather events.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2022/23 result

2022/23 ratio 3.09x

Council continues to be above the industry benchmark of 1.5. This indicator shows Council has good liquidity and ability to repay its debts.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-1 Statement of performance measures – consolidated results (graphs) (continued)

4. Debt service cover ratio



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2022/23 result

2022/23 ratio 6.78x

This ratio indicates the ability for Council to meet debt repayments and remains well above the benchmark.

Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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 2022/23 result

2022/23 ratio 5.99%

This ratio reflects the amount of rates & annual charges that remain unpaid at 30 June. This ratio has deteriorated slightly and remains outside the benchmark of 5%. Council is taking proactive steps to work with ratepayers and make arrangements with long outstanding account holders, whilst balancing cost of living pressures being experienced by our residents.

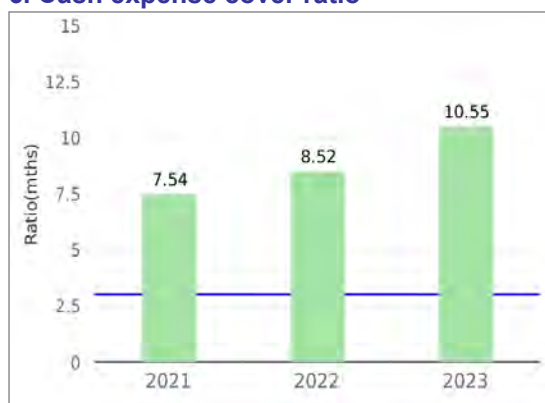
Benchmark: — < 5.00%

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 2022/23 result

2022/23 ratio 10.55 months

Council's Cash Expense Cover Ratio remains well above the benchmark of 3 months. This shows that Council can continue to pay for its immediate expenses without additional cash flow requirements.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-2 Financial review

One-Off Adjustment Considerations in Council's financial result

The below items included in the 2022/23 operating result of Cumberland Council are one off/non recurring in nature.

One off/non-recurring items	2022/23 \$ '000
Profit on sale of assets	204
Fair value adjustments on Investments (non-cash)	278
Reversal of asset revaluation decrements previously expensed (non-cash)	18,573
Fair value decrement on Investment Properties (non-cash)	- 9,567
23/24 Federal assistance grant paid in advance	9,383
22/23 Federal assistance grant paid in prior year	- 6,107
Total one off/non-recurring amounts	12,764
Reportable net operating result before grants and contributions provided for capital purposes	19,587
Net result excluding one off/non-recurring items	6,823

G1-3 Council information and contact details

Principal place of business:

16 Memorial Ave
Merrylands NSW 2160

Contact details

Mailing Address:

PO Box 42
Merrylands NSW 2160

Telephone: 02 8757 9000

Facsimile: 02 9840 9734

Opening hours:

8:00am - 4:30pm
Monday to Friday

Internet: www.cumberland.nsw.gov.au

Email: council@cumberland.nsw.gov.au

Officers

General Manager

Peter J Fitzgerald

Responsible Accounting Officer

Tony Chahine

Auditors

Audit Office of NSW
GPO Box 12
Sydney NSW 2001

Elected members

Mayor

Lisa Lake

Deputy Mayor

Ola Hamed

Other information

ABN: 22 798 563 329



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Cumberland City Council

To the Councillors of Cumberland City Council

Opinion

I have audited the accompanying financial statements of Cumberland City Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, 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 2023, 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).

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

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 2023 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. 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.



Kenneth Leung
Delegate of the Auditor-General for New South Wales

25 October 2023
SYDNEY



Cr Lisa Lake
Mayor
Cumberland City Council
16 Memorial Avenue
Merrylands NSW 2160

Contact: Kenneth Leung
Phone no: 02 9275 7257
Our ref: R008-16585809-46682/ 1719

25 October 2023

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2023
Cumberland City Council**





I have audited the general purpose financial statements (GPFS) of the Cumberland City Council (Council) for the year ended 30 June 2023 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on Council's GPFS.

This Report on the Conduct of the Audit (the Report) for Council for the year ended 30 June 2023 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

	2023	2022*	Variance
	\$m	\$m	%
Rates and annual charges revenue	153	147	 4.5
Grants and contributions revenue	69.9	45.1	 55
Operating result from continuing operations	64.9	86.2	 25.1
Net operating result before capital grants and contributions	19.6	63.1	 68.9

Rates and annual charges revenue (\$153 million) increased by \$6.6 million (4.5 per cent) in 2022–23 due to rate peg increase of 2.5 per cent.

Grants and contributions revenue (\$69.9 million) increased by \$24.8 million (55.0 per cent) in 2022–23 due to:

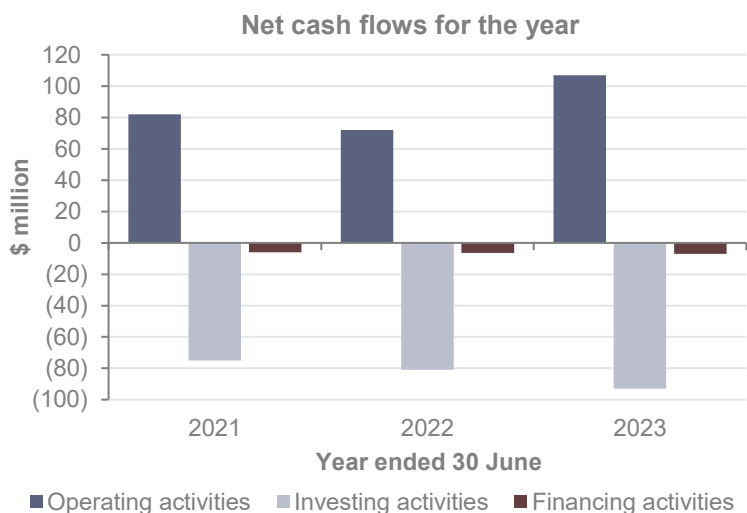
- increase of \$12.7 million in developer contributions
- increase of \$2 million in grants recognised received for financial assistance
- increase of \$7 million in grants recognised received for Recreation and culture
- increase of \$3.8 million in grant recognised received for Roads and bridges.

Council's operating result from continuing operations (\$64.9 million including depreciation, amortisation and impairment expense of \$42.9 million) was \$21.3 million lower than the 2021–22 result.

The decrease was mainly due to the \$9.6 million decrease in the fair value of Investment Properties in the income statement in 2022-23.

STATEMENT OF CASH FLOWS

- Operating cash flows increased by \$35.9 million in 2022-23 mainly due to increase in grant and contributions of \$28.1 million
- Net cash outflows from investing cash flows increased by \$12.5 million partly due to decrease in purchase of investments \$11.2 million was offset by an increase in payments for IPPE \$28.7 million
- Net cash outflows from financing activities of \$7.0 million related to repayment of borrowings and advances as well as principal component of lease payment.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	221.8	188.4	<ul style="list-style-type: none"> • Externally restricted balances comprise mainly of \$113 million in developer contributions. • Internal allocations are determined by council policies or decisions, which are subject to change. It increased in 2022-23 due to increase in Infrastructure reserve of \$9.3 million.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	141.3	118.9	
• Internal allocations	70.5	59.5	

Debt

At 30 June 2023, Council had:

- \$20.9 million in secured loans (\$26.2 million in 2021-22)
- \$1.5 million in approved overdraft facility with nil drawn down.

PERFORMANCE

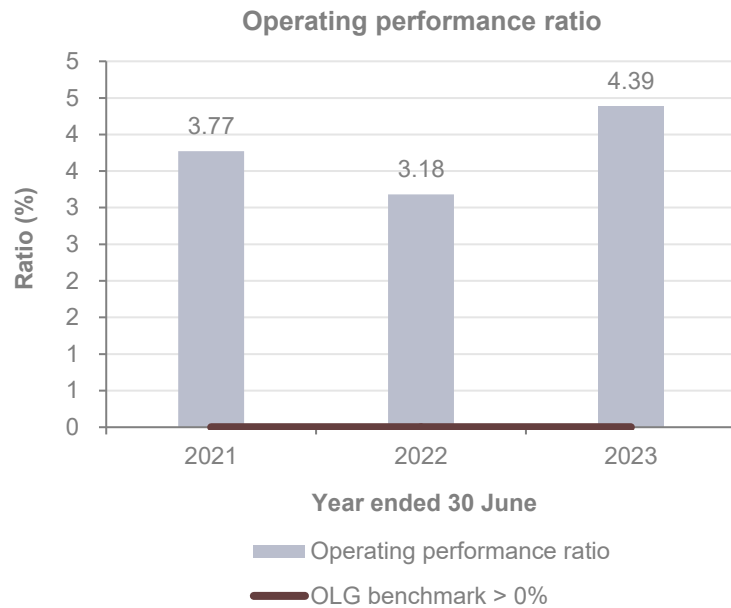
Performance measures

The following section provides an overview of 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

Council exceeded the benchmark for the current reporting period.

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.



Own source operating revenue ratio

Council exceeded the benchmark for the current reporting period.

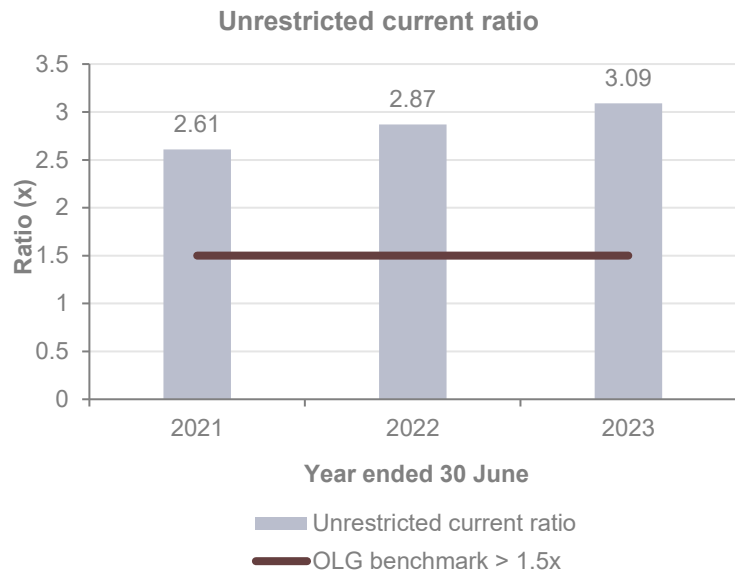
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council exceeded the benchmark for the current reporting period.

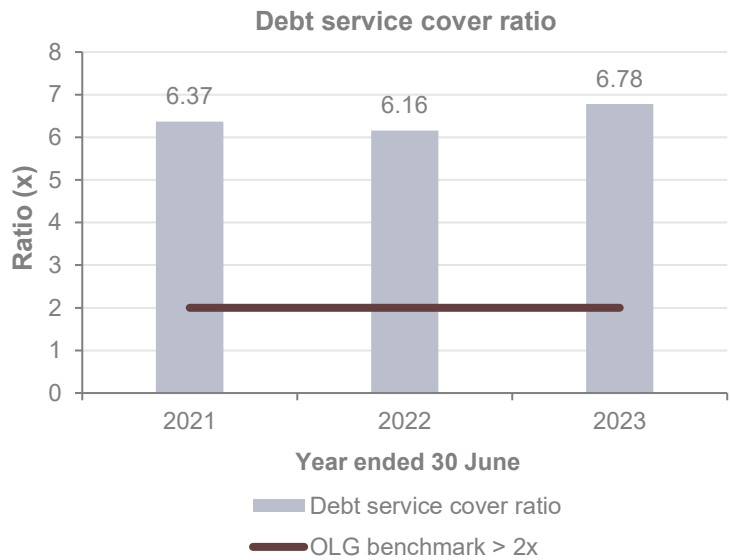
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council exceeded the benchmark for the current reporting period.

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.

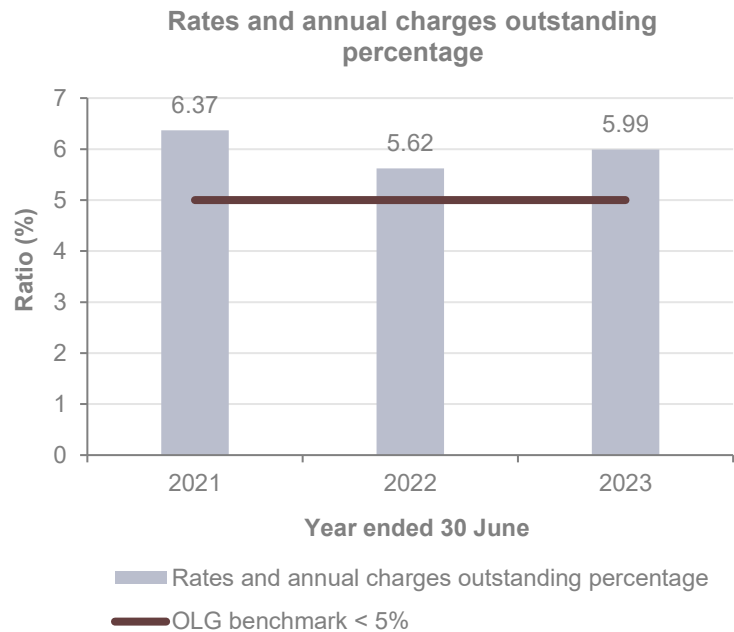


Rates and annual charges outstanding percentage

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

Council advised it is taking proactive steps to work with ratepayers and make arrangements with long outstanding account holders, whilst balancing cost of living pressures being experienced by residents.

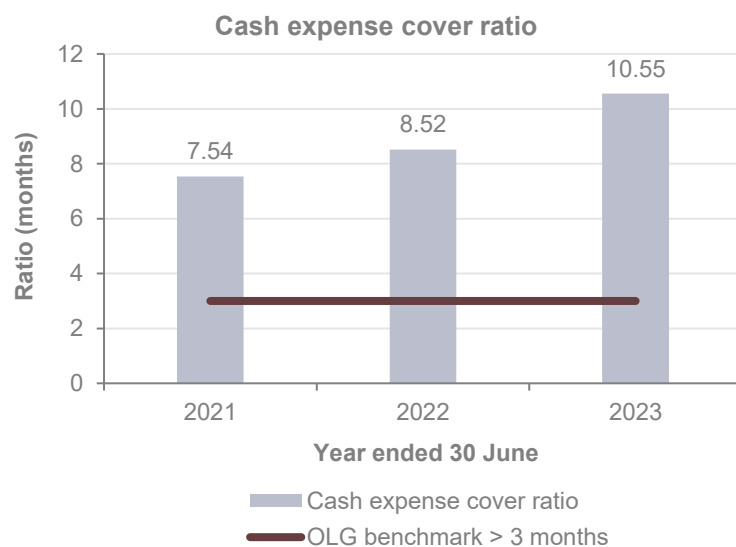
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

Council exceeded the benchmark for the current reporting period.

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



Infrastructure, property, plant and equipment renewals

Council renewed \$69.0 million of infrastructure, property, plant and equipment during the 2022-23 financial year. This was mainly spent on roads of \$24.3 million, buildings of \$9 million and Stormwater drainage of \$4.6 million.

OTHER MATTERS

Legislative compliance

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



Kenneth Leung

Delegate of the Auditor-General for New South Wales

Cumberland City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



Cumberland City Council

Special Purpose Financial Statements

for the year ended 30 June 2023

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of Golf Course	4
Income Statement of Aged Care Units	5
Income Statement of Function Centres	6
Income Statement of Swim Centres	7
Income Statement of Long Day Care	8
Statement of Financial Position of Golf Course	9
Statement of Financial Position of Aged Care Units	10
Statement of Financial Position of Function Centres	11
Statement of Financial Position of Swim Centres	12
Statement of Financial Position of Long Day Care	13
Note – Significant Accounting Policies	14
Auditor's Report on Special Purpose Financial Statements	17

Cumberland City Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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:

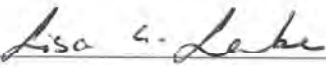
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government';
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality';
- the Local Government Code of Accounting Practice and Financial Reporting;
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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

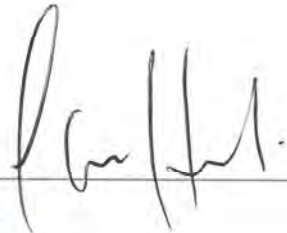
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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 27 September 2023.



Lisa Lake
Mayor
27 September 2023



Ola Hamed
Deputy Mayor
27 September 2023



Peter J Fitzgerald
General Manager
27 September 2023



Tony Chahine
Responsible Accounting Officer
27 September 2023

Cumberland City Council

Income Statement of Golf Course

for the year ended 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
Income from continuing operations		
User charges	1,273	1,244
Grants and contributions provided for operating purposes	2	3
Other income	6	4
Total income from continuing operations	1,281	1,251
Expenses from continuing operations		
Employee benefits and on-costs	549	677
Materials and services	408	375
Depreciation, amortisation and impairment	180	165
Internal Overhead Expenses	17	16
Total expenses from continuing operations	1,154	1,233
Surplus (deficit) from continuing operations before capital amounts	127	18
Surplus (deficit) from continuing operations after capital amounts	127	18
Surplus (deficit) from all operations before tax	127	18
Less: corporate taxation equivalent (25%) [based on result before capital]	(32)	(5)
Surplus (deficit) after tax	95	13
Plus accumulated surplus	22,909	22,891
Plus/less: prior period adjustments	2,573	–
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	32	5
Closing accumulated surplus	25,609	22,909
Return on capital %	0.5%	0.1%
Subsidy from Council	907	825

Cumberland City Council

Income Statement of Aged Care Units

for the year ended 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
Income from continuing operations		
User charges	353	356
Total income from continuing operations	353	356
Expenses from continuing operations		
Materials and services	129	136
Depreciation, amortisation and impairment	333	315
Total expenses from continuing operations	462	451
Surplus (deficit) from continuing operations before capital amounts	(109)	(95)
Surplus (deficit) from continuing operations after capital amounts	(109)	(95)
Surplus (deficit) from all operations before tax	(109)	(95)
Surplus (deficit) after tax	(109)	(95)
Plus accumulated surplus	27,326	27,421
Plus/less: prior period adjustments	(3,261)	–
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	23,956	27,326
Return on capital %	(0.5)%	(0.3)%
Subsidy from Council	1,071	1,095

Cumberland City Council

Income Statement of Function Centres

for the year ended 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
Income from continuing operations		
User charges	1,075	549
Grants and contributions provided for operating purposes	–	250
Other income	26	28
Internal Income	433	315
Total income from continuing operations	1,534	1,142
Expenses from continuing operations		
Employee benefits and on-costs	884	737
Materials and services	517	456
Depreciation, amortisation and impairment	690	647
Internal Overhead Expenses	303	227
Total expenses from continuing operations	2,394	2,067
Surplus (deficit) from continuing operations before capital amounts	(860)	(925)
Surplus (deficit) from continuing operations after capital amounts	(860)	(925)
Surplus (deficit) from all operations before tax	(860)	(925)
Surplus (deficit) after tax	(860)	(925)
Plus accumulated surplus	2,911	3,836
Plus/less: prior period adjustments	25,491	–
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	27,542	2,911
Return on capital %	(3.1)%	(3.5)%
Subsidy from Council	1,978	527

Cumberland City Council

Income Statement of Swim Centres

for the year ended 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
Income from continuing operations		
User charges	2,369	1,024
Grants and contributions provided for operating purposes	39	48
Other income	379	379
Total income from continuing operations	2,787	1,451
Expenses from continuing operations		
Employee benefits and on-costs	2,894	1,766
Materials and services	2,381	2,190
Depreciation, amortisation and impairment	1,065	966
Calculated taxation equivalents	92	27
Internal Overhead Expenses	602	437
Total expenses from continuing operations	7,034	5,386
Surplus (deficit) from continuing operations before capital amounts	(4,247)	(3,935)
Surplus (deficit) from continuing operations after capital amounts	(4,247)	(3,935)
Surplus (deficit) from all operations before tax	(4,247)	(3,935)
Surplus (deficit) after tax	(4,247)	(3,935)
Plus accumulated surplus	54,511	58,419
Plus/less: prior period adjustments	3,531	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	92	27
Closing accumulated surplus	53,887	54,511
Return on capital %	(7.9)%	(7.2)%
Subsidy from Council	6,413	5,937

Cumberland City Council

Income Statement of Long Day Care

for the year ended 30 June 2023

\$ '000	2023 Category 1	2022 Category 1
Income from continuing operations		
User charges	9,041	8,303
Grants and contributions provided for operating purposes	438	711
Other income	8	8
Total income from continuing operations	9,487	9,022
Expenses from continuing operations		
Employee benefits and on-costs	7,073	7,306
Materials and services	284	335
Depreciation, amortisation and impairment	263	248
Calculated taxation equivalents	320	296
Other expenses	–	15
Internal Property & Overhead Expenses	3,417	3,304
Total expenses from continuing operations	11,357	11,504
Surplus (deficit) from continuing operations before capital amounts	(1,870)	(2,482)
Surplus (deficit) from continuing operations after capital amounts	(1,870)	(2,482)
Surplus (deficit) from all operations before tax	(1,870)	(2,482)
Surplus (deficit) after tax	(1,870)	(2,482)
Plus accumulated surplus	27,913	30,099
Plus/less: prior period adjustments	1,525	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	320	296
Closing accumulated surplus	27,888	27,913
Return on capital %	(6.4)%	(8.5)%
Subsidy from Council	3,036	3,555

Cumberland City Council

Statement of Financial Position of Golf Course

as at 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	25,715	23,094
Total non-current assets	25,715	23,094
Total assets	25,715	23,094
LIABILITIES		
Current liabilities		
Payables	39	23
Employee benefit provisions	47	82
Total current liabilities	86	105
Non-current liabilities		
Employee benefit provisions	20	78
Total non-current liabilities	20	78
Total liabilities	106	183
Net assets	25,609	22,911
EQUITY		
Accumulated surplus	25,609	22,911
Total equity	25,609	22,911

Cumberland City Council

Statement of Financial Position of Aged Care Units

as at 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
ASSETS		
Current assets		
Receivables	20	6
Total current assets	20	6
Non-current assets		
Infrastructure, property, plant and equipment	23,936	27,332
Total non-current assets	23,936	27,332
Total assets	23,956	27,338
LIABILITIES		
Current liabilities		
Payables	-	12
Total current liabilities	-	12
Total liabilities	-	12
Net assets	23,956	27,326
EQUITY		
Accumulated surplus	23,956	27,326
Total equity	23,956	27,326

Cumberland City Council

Statement of Financial Position of Function Centres

as at 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
ASSETS		
Current assets		
Receivables	48	45
Total current assets	48	45
Non-current assets		
Infrastructure, property, plant and equipment	27,799	26,571
Total non-current assets	27,799	26,571
Total assets	27,847	26,616
LIABILITIES		
Current liabilities		
Payables	6	26
Employee benefit provisions	107	107
Total current liabilities	113	133
Non-current liabilities		
Employee benefit provisions	194	187
Total non-current liabilities	194	187
Total liabilities	307	320
Net assets	27,540	26,296
EQUITY		
Accumulated surplus	27,542	26,296
Total equity	27,542	26,296

Cumberland City Council

Statement of Financial Position of Swim Centres

as at 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
ASSETS		
Current assets		
Receivables	256	140
Total current assets	256	140
Non-current assets		
Infrastructure, property, plant and equipment	53,876	54,697
Total non-current assets	53,876	54,697
Total assets	54,132	54,837
LIABILITIES		
Current liabilities		
Payables	53	62
Employee benefit provisions	66	56
Total current liabilities	119	118
Non-current liabilities		
Employee benefit provisions	126	113
Total non-current liabilities	126	113
Total liabilities	245	231
Net assets	53,887	54,606
EQUITY		
Accumulated surplus	53,887	54,605
Total equity	53,887	54,605

Cumberland City Council

Statement of Financial Position of Long Day Care

as at 30 June 2023

\$ '000	2023 Category 1	2022 Category 1
ASSETS		
Current assets		
Receivables	250	45
Total current assets	250	45
Non-current assets		
Infrastructure, property, plant and equipment	29,010	29,320
Total non-current assets	29,010	29,320
Total assets	29,260	29,365
LIABILITIES		
Current liabilities		
Payables	20	18
Employee benefit provisions	563	553
Total current liabilities	583	571
Non-current liabilities		
Employee benefit provisions	676	836
Total non-current liabilities	676	836
Total liabilities	1,259	1,407
Net assets	28,001	27,958
EQUITY		
Accumulated surplus	27,888	27,958
Total equity	27,888	27,958

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 2021 (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

(where gross operating turnover is over \$2 million)

a. Child Care

Provision of Child Long Day Care Service

Category 2

(where gross operating turnover is less than \$2 million)

a. Golf Course

Provision for generating income through the operation of a Golf Course

b. Aged Care Units

Provision of accommodation for aged services

c. Function Centres

Hall Hire for functions, including catering

d. Swimming Centres

Provision of Swimming Centre Activities

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.

Note – Significant Accounting Policies (continued)

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%

Payroll tax – 5.45% 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.

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%.

Income tax is only applied where a gain 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

Note – Significant Accounting Policies (continued)

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.02% at 30/6/23.

(iii) Dividends

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Cumberland City Council

To the Councillors of Cumberland City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Cumberland City Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant accounting policies note.

The Declared Business Activities of the Council are:

- Golf Course
- Aged Care Units
- Function Centres
- Swim Centres
- Long Day Care.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2023, and their 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 2022–23 (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).

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

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 2023 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. 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.



Kenneth Leung
Delegate of the Auditor-General for New South Wales

25 October 2023
SYDNEY

Cumberland City Council

SPECIAL SCHEDULES
for the year ended 30 June 2023



Cumberland City Council

Special Schedules

for the year ended 30 June 2023

Contents

Page

Special Schedules:

Permissible income for general rates (Merger Councils)

3

Report on infrastructure assets as at 30 June 2023

7

Cumberland City Council

Permissible income for general rates (Merger Councils)

\$ '000	Notes	2022/23	2022/23	2022/23	2022/23	2023/24	2023/24	2023/24	2023/24
		Former Auburn City Council	Former Holroyd City Council	Former Parramatta City Council	Cumberland Council	Former Auburn City Council	Former Holroyd City Council	Former Parramatta City Council	Cumberland Council
Notional general income calculation ¹									
Last year notional general income yield	a	29,646	57,808	14,767	102,221	32,150	59,124	14,972	106,246
Plus or minus adjustments ²	b	120	345	160	625	(193)	(766)	(76)	(1,035)
Notional general income	c = a + b	29,766	58,153	14,927	102,846	31,957	58,358	14,896	105,211
Permissible income calculation									
Or rate peg percentage	e	2.50%	2.50%	2.50%		3.70%	3.70%	3.70%	
Or plus rate peg amount	i = e x (c + g)	744	1,454	373	2,571	1,182	2,159	551	3,892
Sub-total	k = (c + g + h + i + j)	30,510	59,607	15,300	105,417	33,139	60,517	15,447	109,103
Plus (or minus) last year's carry forward total	l	(2,321)	3,321	649	1,649	(3,960)	3,804	977	821
Sub-total	n = (l + m)	(2,321)	3,321	649	1,649	(3,960)	3,804	977	821
Total permissible income	o = k + n	28,189	62,928	15,949	107,066	29,179	64,321	16,424	109,924
Less notional general income yield	p	32,150	59,124	14,972	106,246	33,731	60,712	15,645	110,088
Catch-up or (excess) result	q = o - p	(3,960)	3,804	977	821	(4,552)	3,609	779	(164)
Carry forward to next year ⁶	t = q + r + s	(3,960)	3,804	977	821	(4,552)	3,609	779	(164)

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.
- (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 *Local Government Act 1993*. 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

Cumberland City Council

To the Councillors of Cumberland City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Cumberland City Council (the Council) for the year ending 30 June 2024.

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 2022–23 (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).

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

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 2023 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, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2023'.

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. 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.



Kenneth Leung
Delegate of the Auditor-General for New South Wales

25 October 2023
SYDNEY

Cumberland City Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Buildings	4,668	7,994	6,151	7,813	362,224	499,209	45.4%	38.9%	14.1%	1.1%	0.5%	
	Sub-total	4,668	7,994	6,151	7,813	362,224	499,209	45.4%	38.9%	14.1%	1.1%	0.5%	
Roads	Roads	33,041	61,793	7,401	9,270	489,461	665,153	35.0%	42.5%	18.0%	4.1%	0.5%	
	Bridges	131	261	481	–	87,063	92,888	86.8%	12.5%	0.5%	0.3%	0.0%	
	Kerbs	–	–	4,283	–	154,628	299,957	1.2%	6.1%	92.8%	0.0%	0.0%	
	Footpaths	5,168	10,141	2,411	325	201,755	277,362	4.7%	71.9%	19.8%	3.5%	0.1%	
	Car Parks	–	–	177	–	9,716	14,741	23.5%	6.2%	70.4%	0.0%	0.0%	
	Public Transport Shelters	1,025	2,050	103	–	364	2,059	0.4%	0.0%	0.0%	99.6%	0.0%	
	Signs	–	29	6	20	410	572	54.8%	10.7%	29.5%	4.3%	0.8%	
	Street Furniture	16	–	62	–	3,832	5,825	24.9%	18.8%	56.2%	0.0%	0.0%	
	Traffic Management Devices	981	1,922	570	–	19,223	36,609	7.7%	6.2%	80.9%	5.0%	0.2%	
	Sub-total	40,362	76,196	15,494	9,615	966,452	1,395,166	24.2%	37.0%	35.6%	2.9%	0.3%	
Stormwater drainage	Stormwater drainage	25,604	47,302	4,391	819	457,163	682,681	32.1%	53.3%	7.7%	5.8%	1.2%	
	Stormwater GPT	163	326	69	–	8,039	9,517	71.8%	0.9%	23.9%	3.4%	0.0%	
	Stormwater Pits	6,958	13,144	1,271	–	55,764	88,070	12.0%	45.5%	27.6%	13.2%	1.8%	
	Sub-total	32,725	60,772	5,731	819	520,966	780,268	30.3%	51.7%	10.2%	6.6%	1.2%	
Open space / recreational assets	Swimming pools	–	–	63	603	8,735	12,549	30.0%	45.0%	25.0%	0.0%	0.0%	
	Park Infrastructure	3,444	5,900	1,091	8,796	91,162	133,435	29.2%	42.8%	23.6%	2.9%	1.5%	
	Park active Areas	1,262	2,149	632	–	59,943	72,692	43.1%	35.5%	18.4%	1.9%	1.0%	
	Bins	9	16	45	–	871	871	11.2%	65.1%	21.9%	1.4%	0.4%	
	Open Space Furniture	232	389	105	–	8,100	10,662	14.9%	48.0%	33.4%	2.2%	1.4%	
	Retaining Walls	–	–	90	–	4,992	6,311	7.0%	0.0%	93.0%	0.0%	0.0%	
	Sub-total	4,947	8,454	2,026	9,399	173,803	236,520	32.2%	39.9%	24.4%	2.4%	1.1%	
Total – all assets		82,702	153,416	29,402	27,646	2,023,445	2,911,163	30.1%	41.5%	24.2%	3.5%	0.7%	

(a) Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)

Cumberland City Council

Report on infrastructure assets as at 30 June 2023 (continued)

2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Cumberland City Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicators		Benchmark
			2022	2021	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	45,347	124.17%	89.37%	113.30%	> 100.00%
Depreciation, amortisation and impairment	36,520				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	82,702	4.01%	4.86%	4.77%	< 2.00%
Net carrying amount of infrastructure assets	2,062,249				
Asset maintenance ratio					
Actual asset maintenance	27,646	94.03%	99.52%	106.75%	> 100.00%
Required asset maintenance	29,402				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	153,416	5.27%	6.27%	6.18%	
Gross replacement cost	2,911,163				

(*) 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.

Cumberland City Council

Report on infrastructure assets as at 30 June 2023

Buildings and infrastructure renewals ratio



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 result	
22/23 ratio	124.17%
This ratio measures Council investment in capital asset renewals, which improve the condition of council assets. Cumberland has exceeded the 100% target and has an ongoing policy of investment in capital renewals to ensure assets are maintained in good condition for future generations.	

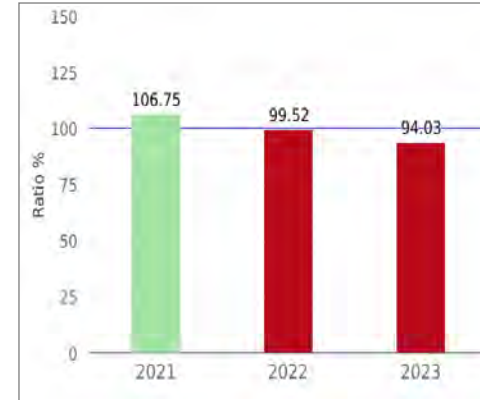
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



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 result	
22/23 ratio	94.03%
This ratio measures Council's spend on asset maintenance. Maintaining a ratio of close to 100% keeps assets from deteriorating at a faster rate than what would be naturally expected.	

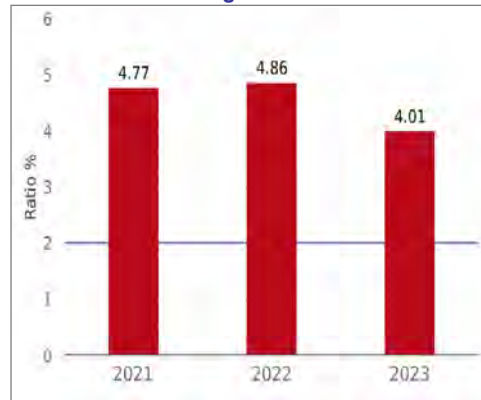
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result	
22/23 ratio	4.01%
This ratio reflects the amount of future investment required to bring the condition of council infrastructure assets to the optimal level. The improved ratio in 22/23 reflects the additional investment of asset renewal expenditure during the year.	

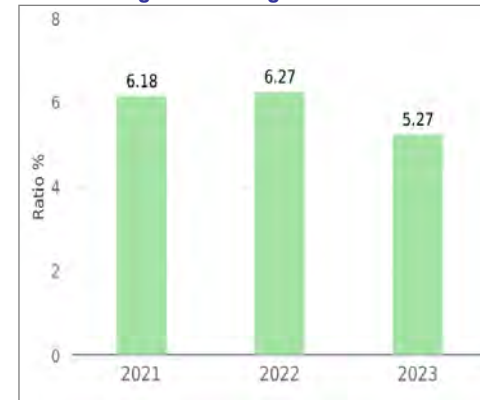
Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



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 result	
22/23 ratio	5.27%
This ratio reflects the amount of future investment required to bring the condition of council infrastructure assets to Council's set service level. The improved ratio in 22/23 reflects the additional investment of asset renewal expenditure during the year.	