



CUMBERLAND
CITY COUNCIL



Financial Statements

1 July 2021 - 30 June 2022

Cumberland City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Cumberland City Council

General Purpose Financial Statements

for the year ended 30 June 2022

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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 2022

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 2022.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Cumberland City Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

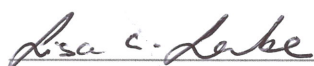
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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 19 October 2022.



Lisa Lake

Mayor

19 October 2022



Peter J Fitzgerald

General Manager

19 October 2022



Suman Saha

Deputy Mayor

19 October 2022



Tony Chahine

Responsible Accounting Officer

19 October 2022

Cumberland City Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Income from continuing operations				
148,196	Rates and annual charges	B2-1	146,529	143,565
32,188	User charges and fees	B2-2	26,922	28,131
9,088	Other revenues	B2-3	7,454	7,326
18,317	Grants and contributions provided for operating purposes	B2-4	22,027	21,286
23,589	Grants and contributions provided for capital purposes	B2-4	23,052	26,233
1,879	Interest and investment income	B2-5	1,237	2,792
3,128	Other income	B2-6	5,781	6,836
–	Reversal of IPPE revaluation decrements previously expensed	B2-6	53,022	–
400	Net gain from the disposal of assets	B4-1	595	421
<u>236,785</u>	Total income from continuing operations		<u>286,619</u>	<u>236,590</u>
Expenses from continuing operations				
83,892	Employee benefits and on-costs	B3-1	77,728	79,427
81,392	Materials and services	B3-2	79,384	76,908
1,053	Borrowing costs	B3-3	1,041	1,189
38,100	Depreciation, amortisation and impairment of non-financial assets	B3-4	39,157	37,226
–	Revaluation decrements of IPPE	B3-4	–	71,595
3,303	Other expenses	B3-5	3,120	3,496
<u>207,740</u>	Total expenses from continuing operations		<u>200,430</u>	<u>269,841</u>
<u>29,045</u>	Operating result from continuing operations		<u>86,189</u>	<u>(33,251)</u>
<u>29,045</u>	Net operating result for the year attributable to Council		<u>86,189</u>	<u>(33,251)</u>
<u>5,456</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>63,137</u>	<u>(59,484)</u>

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

Cumberland City Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		86,189	(33,251)
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>142,563</u>	<u>81,399</u>
Total items which will not be reclassified subsequently to the operating result		142,563	81,399
Total other comprehensive income for the year		142,563	81,399
Total comprehensive income for the year attributable to Council		228,752	48,148

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 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	1,322	17,077
Investments	C1-2	95,306	81,092
Receivables	C1-4	16,102	16,965
Inventories	C1-5	234	216
Other		1,296	1,091
Total current assets		114,260	116,441
Non-current assets			
Investments	C1-2	91,792	65,334
Infrastructure, property, plant and equipment (IPPE)	C1-6	2,683,106	2,483,217
Investment property	C1-7	76,814	72,859
Intangible assets	C1-8	1,081	3,015
Right of use assets	C2-1	2,265	1,852
Total non-current assets		2,855,058	2,626,277
Total assets		2,969,318	2,742,718
LIABILITIES			
Current liabilities			
Payables	C3-1	36,488	34,407
Contract liabilities	C3-2	16,307	15,485
Lease liabilities	C2-1	1,158	813
Borrowings	C3-3	5,364	5,218
Employee benefit provisions	C3-4	19,497	20,065
Total current liabilities		78,814	75,988
Non-current liabilities			
Lease liabilities	C2-1	1,146	1,075
Borrowings	C3-3	20,802	26,166
Employee benefit provisions	C3-4	526	211
Total non-current liabilities		22,474	27,452
Total liabilities		101,288	103,440
Net assets		2,868,030	2,639,278
EQUITY			
Accumulated surplus		2,414,815	2,328,626
IPPE revaluation reserve		453,215	310,652
Total equity		2,868,030	2,639,278

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 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		2,328,626	310,652	2,639,278	2,361,877	229,253	2,591,130
Net operating result for the year		86,189	–	86,189	(33,251)	–	(33,251)
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	142,563	142,563	–	81,399	81,399
Other comprehensive income		–	142,563	142,563	–	81,399	81,399
Total comprehensive income		86,189	142,563	228,752	(33,251)	81,399	48,148
Closing balance at 30 June		2,414,815	453,215	2,868,030	2,328,626	310,652	2,639,278

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 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
Receipts:				
146,458	Rates and annual charges		147,002	142,747
30,110	User charges and fees		28,117	26,374
1,855	Interest received		1,430	2,583
44,148	Grants and contributions		45,202	59,354
–	Bonds, deposits and retentions received		2,328	2,772
13,295	Other		9,271	9,597
Payments:				
(84,560)	Payments to employees		(77,981)	(79,545)
(63,464)	Payments for materials and services		(77,854)	(77,614)
(937)	Borrowing costs		(1,041)	(1,189)
(22,068)	Other		(4,757)	(3,010)
64,837	Net cash flows from operating activities	F1-1	71,717	82,069
Cash flows from investing activities				
Receipts:				
1,048	Sale of investments		–	–
2,000	Proceeds from sale of IPPE		725	1,988
Payments:				
–	Purchase of investments		(11,257)	(4,636)
–	Acquisition of term deposits		(30,068)	(17,085)
(62,847)	Payments for IPPE		(40,290)	(55,072)
–	Purchase of intangible assets		(23)	(66)
(59,799)	Net cash flows from investing activities		(80,913)	(74,871)
Cash flows from financing activities				
Payments:				
(5,038)	Borrowings and advances		(5,218)	(4,600)
–	Principal component of lease payments		(1,341)	(1,461)
(5,038)	Net cash flows from financing activities		(6,559)	(6,061)
–	Net change in cash and cash equivalents		(15,755)	1,137
–	Plus: cash and equivalents – beginning of reporting period		17,077	15,940
–	Cash and cash equivalents at end of year	C1-1	1,322	17,077

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

Cumberland City Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 19 October 2022. 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.

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 2022 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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Libraries	798	1,139	5,360	5,759	(4,562)	(4,620)	732	1,031	3,800	3,712
Events and Culture	177	245	1,028	1,457	(851)	(1,212)	165	221	–	–
Community Development	53	75	826	896	(773)	(821)	45	65	–	–
Children & Youth Development	153	336	775	840	(622)	(504)	153	336	–	–
Social Inclusion and Wellbeing	1,540	1,658	1,871	2,026	(331)	(368)	1,167	1,248	–	–
Disability	285	266	297	297	(12)	(31)	–	–	–	–
Customer Experience	68	68	3,102	3,114	(3,034)	(3,046)	–	–	–	–
Bookings and Community Centres	267	213	897	1,003	(630)	(790)	–	–	–	–
Technology Services	22	33	6,351	6,760	(6,329)	(6,727)	–	–	–	–
Information Systems and Data	14	228	3,558	3,419	(3,544)	(3,191)	14	228	1,081	3,015
Human Resources	–	–	1,431	1,255	(1,431)	(1,255)	–	–	–	–
Communications, Marketing and Media	1	2	1,554	1,681	(1,553)	(1,679)	–	–	–	–
Strategy and Improvement	5	6	861	591	(856)	(585)	–	–	–	–
Asset Management and Asset System Support	3,741	3,422	3,041	3,748	700	(326)	1,718	1,712	1,309,642	–
Capital Works and Assets Renewals	3,562	2,387	22	(536)	3,540	2,923	3,540	2,364	–	1,191,534
City Maintenance	6,430	4,384	28,831	28,293	(22,401)	(23,909)	6,257	4,253	–	–
Buildings Maintenance	1,597	1,288	19,344	18,362	(17,747)	(17,074)	382	86	401,702	398,674
Depot Operations	248	509	2,236	2,389	(1,988)	(1,880)	–	–	4,413	5,150
Open Spaces	1,549	3,053	13,237	12,966	(11,688)	(9,913)	445	1,790	946,194	945,100
Recreational Assets	3,320	4,201	7,081	6,810	(3,761)	(2,609)	301	96	7,828	8,008
Environmental Health	570	681	1,481	1,732	(911)	(1,051)	62	74	–	–
Compliance	5,384	4,722	4,659	4,693	725	29	–	–	–	–
Development Programs	742	522	1,656	1,805	(914)	(1,283)	–	–	–	–
Waste Services	43,894	41,629	37,868	34,468	6,026	7,161	–	–	2,832	2,899
Strategic Planning	10	627	1,675	1,809	(1,665)	(1,182)	–	616	–	–
Place and Engagement	602	11	1,255	817	(653)	(806)	601	4	–	–
Development Management	3,043	3,368	5,876	6,099	(2,833)	(2,731)	240	24	–	–
Engineering	4,666	4,351	7,185	7,298	(2,519)	(2,947)	1,074	729	152	164
Environmental Programs	690	1,048	2,744	2,317	(2,054)	(1,269)	231	549	–	–
Planning Systems	13,426	17,454	196	159	13,230	17,295	13,132	17,465	–	–
Public Spaces Planning and Design	266	8	527	457	(261)	(449)	257	–	–	–
Education and Care Services	12,395	14,231	12,157	12,544	238	1,687	1,840	2,541	148	144

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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Property Services	3,720	4,262	592	557	3,128	3,705	89	1,690	-	-
Accounting	68,501	16,338	5,765	78,228	62,736	(61,890)	11,444	9,569	201,801	177,675
Rates	103,098	102,531	1,766	1,591	101,332	100,940	-	-	5,835	6,643
Procurement	4	5	442	689	(438)	(684)	-	-	-	-
Governance and Executive Support	12	28	3,188	2,765	(3,176)	(2,737)	-	-	-	-
Audit, Risk and Safety	546	180	3,123	2,409	(2,577)	(2,229)	126	68	-	-
General Manager's Internal Services	1,220	919	6,572	8,105	(5,352)	(7,186)	1,064	760	-	-
Other	-	-	-	-	-	-	-	-	83,890	-
Total functions and activities	286,619	236,428	200,430	269,672	86,189	(33,244)	45,079	47,519	2,969,318	2,742,718

B1-2 Components of functions or activities

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

Libraries

This service provides a network of eight modern and well-resourced libraries to promote community learning with educational, recreational and development programs. Library services provides residents and visitors across the Cumberland area with face-to-face and online resources, events, programs and access to technology.

Events and Culture

This service is responsible for development and delivery of arts, culture and events projects, programs and initiatives designed to increase social cohesion and enhance and activate Cumberland's places. The service is responsible for the review and implementation of Cumberland's Events Strategy, and the production of community events and activations; as well as the implementation of Cumberland Cultural Plan 2019-2029 and associated arts and cultural programs and initiatives. The service is responsible for the strategic direction of Granville Centre Art Gallery and Peacock Gallery Precinct at Auburn Botanic Gardens, positioning Council's key arts assets as regional attractions and community assets. Events and Culture facilitate the Cumberland Community Events Advisory Committee.

Community Development

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

Children and Youth Development

The service is responsible for the development and implementation of targeted children (pregnancy – 12 years), youth (12 – 25 years) and families community development initiatives and projects across the Cumberland area. The service oversees the internal and external child protection functions of Council.

Social Inclusion and Wellbeing

This service aims to improve the lives of over 55's and seniors in our community through the provision of services which includes transportation, meals and social programs, events and intake and assessment of customers.

Disability

This service is responsible for the delivery of National Disability Insurance Scheme Programs (NDIS), implementation of Council's Disability Inclusion Action Plan (DIAP) and intake and assessment of customers.

Customer Experience

This service is responsible for managing and operating Council's contact centres, webchat channels, after hours and other contact channels of Council and delivers customer service to rate payers, residents and visitors through various communication and contact points.

Bookings and Community Centres

This service manages and operates Council's three community centres located at Auburn, Berala and Guildford. These venues are hubs where residents and visitors can meet, network, socialise, learn new skills and enjoy activities. The service is designed to promote social cohesion and improve community well-being.

Technology Services

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 Systems and Data

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.

Human Resources

Human Resources delivers internal services relating to the full employment lifecycle of staff. This includes recruitment, onboarding, training/ upskilling staff, performance management and offboarding staff as required.

Communications, Marketing and Media

The Strategic Communications team 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.

Strategy and Improvement

Strategy and Improvement is responsible for undertaking Council's corporate and community-based planning and performance reporting, business improvement, and project management activities. The business unit focuses on providing partnership and support to meet reporting requirements, identifies and implements business performance improvements and oversees Council projects, which indirectly benefits the community through effective and efficient operations.

Asset Management and Asset System Support

This service is responsible for Council's assets, such as, roads, stormwater, buildings, open spaces, street lighting and operational support for asset management for the sustainable management of council's infrastructure assets. This service

B1-2 Components of functions or activities (continued)

is responsible for the management of Infrastructure Asset data and information. This service prepares council's annual and forward Assets renewals programs in line with Asset Management plans and adopted Long Term Financial Plans.

Capital Works and Assets Renewal

This service is responsible for the construction of new Council assets and renewal and refurbishment of existing Council's assets, such as, roads, stormwater, buildings, and open spaces. The service ensures Council's assets are constructed or renewed to agreed scope and specifications within the constraints of the relevant procurement protocols, following best practice Project Management and governance processes.

City Maintenance

The service is responsible for the maintenance and presentation of Cumberland's public domain areas. This service focuses on providing clean public spaces and safe areas for enjoyment for our residents and visitors. In addition, the service provides maintenance and cleaning services across Cumberland's public domain, including the verge, footpaths, stormwater networks and roads.

Buildings Maintenance

This service provides maintenance and repairs to Council's buildings and properties in the Cumberland area. This includes the aquatic centres, community facilities, administration buildings, childcare centres, libraries, parks and gardens. The service is also responsible for cleaning, fire safety, electrical, plumbing, sanitary and security.

Depot Operations

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

Open Space

The service provides maintenance for Council's extensive network of parks, sportsgrounds, playgrounds, bushland, habitat corridors and recreation areas. This service manages and operates approximately 327 passive parks, 46 sportsgrounds, 37 tennis courts, 226 playgrounds, 200 ha of bushland, extensive walkways and bicycle paths, BBQs, picnic shelters and park furniture.

Recreational Assets

The service provides recreational services, facilities and programs to promote the health and well-being of our residents, visitors and the wider community. This service manages five swimming centres, two golf courses, Auburn Botanic Gardens, Holroyd and Central Gardens, including their Fauna parks and The Holroyd, Eric Tweedale, Granville Centre's.

Environmental Health

This service regulates and encourages the improvement of environmental / public health and safety standards across the Cumberland Local Government Area. This includes 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 in ensuring environmental health best practice is considered during the development application process. The service will provide regular support and reporting to connected state agencies such as the Western Sydney Local Health District (WSLHD), NSW Food Authority and NSW EPA.

Compliance

This service regulates environmental and safety standards across the Cumberland Local Government Area, by way of providing a range of community focused environmental protection programs including waste, companion animal services and parking enforcement.

Development Programs

This service investigates and regulates unauthorised and illegal works in the Cumberland Local Government Area, such as, illegal building works and unauthorised land use. The service is designed to protect and ensure the safety of the community.

Waste Services

To provide efficient residential, commercial, town centre and public park waste collection services, regular clean up services and removal of illegally dumped rubbish across the Cumberland area.

Strategic Planning

This service develops and facilitates Council's heritage initiatives as well as developing and delivering Council's strategic planning work, including planning for key centres and strategic corridors across Cumberland City. The service develops and facilitates plans, policies and projects to create great places and plan for infrastructure across our city and local economy.

Place and Engagement

This service actively creates opportunities for the community to be engaged in projects/plans. They business partner with project leads to deliver end to end community engagement programs and undertake place activations and promote economic growth as well as building resident, business and stakeholder relationships.

B1-2 Components of functions or activities (continued)

Development Management

Undertakes development and building activities, including development applications, building assessment, tree management, engineering assessment and planning panels.

Engineering

Provide technical advice and design support for a range of physical infrastructure in Cumberland, including stormwater and drainage, flood management, traffic and transport and infrastructure. The service also provides investigation for traffic and transport issues, that are reported to the Local Traffic Committee.

Environment Programs

Provide a range of environmental, planning and waste related programs and services across Cumberland, which ensures the Cumberland area is clean and public spaces are well maintained.

Planning Systems

The Planning System team delivers a range of services including: preparation and assessment of developer-initiated planning proposals, negotiation and preparation of voluntary planning agreements associated with planning proposals, preparation and administration of local infrastructure contributions plans, preparing and issuing planning certificates, monitoring and reporting on legislative and policy changes, updating internal systems accordingly and advocating for the needs of our local area.

Public Spaces Planning and Design

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

Education and Care

Education and Care Centres provide services to children aged 0 to 14 years. The centres offer a range of flexible and inclusive options for families including long day preschools, occasional, before and after school care programs, school holiday programs and family day care (home based including emergency and overnight) inclusive of children with additional needs.

Property Services

Property Services maximises revenue generated on Council's leased assets, and commercial assets through an ongoing review of Council's asset portfolio.

Accounting

This service has multiple responsibilities including, payroll, accounts payable, treasury and financial accounting. In addition, the Finance Business Partners provide relevant financial information, tools, analysis and insight to support Budget Owners to make informed decisions while driving business strategy. The Business Partner process is pivotal in keeping Council financially stable.

Rates

Rates are Council's main source of income and used to provide essential infrastructure, services, facilities, programs, activities and capital works for the community.

Procurement

Responsible for the oversight and delivery of Council's Procurement activities in accordance with endorsed procedures and requirements under the Local Government Act 1993.

Governance and Executive Support

Oversees the operations of Council to ensure that decision-making is transparent and accountable, and organisational activities are free from fraud and corruption with a focus on providing effective leadership and administration.

Also responsible for planning and hosting civic ceremonies and functions and providing a high level of administration services with respect to the elected Council and Committee meetings.

Audit, Risk and Safety

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

General Manager's Internal Services

Oversees the provision of General Counsel, Internal Ombudsman and Special Projects.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	69,544	69,344
Business	33,422	33,173
Less: pensioner rebates	(2,079)	(1,889)
Rates levied to ratepayers	100,887	100,628
Pensioner rate subsidies received	1,037	1,035
Total ordinary rates	101,924	101,663
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	43,369	40,600
Stormwater management services	1,774	1,770
Less: pensioner rebates	(884)	(813)
Annual charges levied	44,259	41,557
Pensioner subsidies received:		
– Domestic waste management	346	345
Total annual charges	44,605	41,902
Total rates and annual charges	146,529	143,565

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	2022	2021
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Waste management services (non-domestic)	2	678	662
Other		52	53
Total specific user charges		730	715
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	2	337	438
Inspection services	2	446	497
Regulatory/ statutory fees	2	6	10
Registration fees	2	78	80
Section 10.7 certificates (EP&A Act)	2	444	458
Section 603 certificates	2	316	300
Town planning	2	3,289	3,120
Other		135	139
Total fees and charges – statutory/regulatory		5,051	5,042
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aged care	2	356	362
Child care	2	10,500	11,533
Community centres	2	810	806
Lease rentals	2	982	551
Parking fees	2	224	206
Restoration charges	2	2,008	1,701
Swimming centres	2	1,074	1,586
Administration	2	40	51
Community events	2	6	4
Community services	2	622	637
Function centres	2	439	378
Other	2	612	851
Housing and community amenities	2	299	263
Libraries	2	108	98
Recreation and parks	2	2,014	2,367
Transport and communication	2	1,047	980
Total fees and charges – other		21,141	22,374
Total other user charges and fees		26,192	27,416
Total user charges and fees		26,922	28,131
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	2,137
User charges and fees recognised at a point in time (2)		26,922	25,994
Total user charges and fees		26,922	28,131

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.

B2-2 User charges and fees (continued)

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.

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	2022	2021
Fines – parking	2	5,234	4,698
Fines – other	2	61	49
Legal fees recovery – rates and charges (extra charges)	2	176	47
Legal fees recovery – other	2	20	37
Commissions and agency fees	2	5	6
Diesel rebate	2	62	71
Insurance claims recoveries	2	518	443
CDS waste rebate		–	265
Other	2	892	1,153
Vehicle lease recovery	2	481	554
Lifelong learning	2	5	3
Total other revenue		7,454	7,326
Timing of revenue recognition for other revenue			
Other revenue recognised at a point in time (2)		7,454	7,326
Total other revenue		7,454	7,326

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial Assistance Grant – general component	2	3,973	4,205	–	–
Payment in advance - future year allocation					
Financial Assistance Grant – general component		6,107	4,502	–	–
Amount recognised as income during current year		10,080	8,707	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Aged care	2	1,154	1,248	–	–
Community care	2	793	998	–	–
Environmental programs	2	156	238	–	–
Heritage and cultural	2	356	103	–	63
Library	2	734	1,031	–	–
LIRS subsidy	2	343	129	–	–
Recreation and culture	2	25	7	3,364	3,623
Child care/family day care	2	1,219	1,450	–	–
Child Care Covid Grant	2	590	1,179	–	–
Street lighting	2	672	672	–	–
Other specific grants	2	404	79	–	228
Transport (roads to recovery)	2	1,040	1,040	–	–
Transport (other roads and bridges funding)	2	574	729	–	–
Previously contributions:					
Community services	2	15	20	–	–
Roads and bridges		387	87	8,909	4,854
Transport for NSW contributions (regional roads, block grant)	2	1,387	1,668	–	–
Other contributions	2	906	888	–	–
Community enhancement fund	2	1,055	783	–	–
Waste performance program	2	137	230	–	–
Total special purpose grants and non-developer contributions – cash		11,947	12,579	12,273	8,768
Total special purpose grants and non-developer contributions (tied)		11,947	12,579	12,273	8,768
Total grants and non-developer contributions		22,027	21,286	12,273	8,768

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Comprising:					
– Commonwealth funding		12,024	10,656	4,754	4
– State funding		8,089	9,244	5,460	6,966
– Other funding		1,914	1,386	2,059	1,798
		22,027	21,286	12,273	8,768

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:		F3				
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	8,121	16,512
S 7.11 – LGA administration		2	–	–	136	328
S 7.11a – employment generation development		2	–	–	2,522	625
Total developer contributions – cash			–	–	10,779	17,465
Total developer contributions			–	–	10,779	17,465
Total contributions			–	–	10,779	17,465
Total grants and contributions			22,027	21,286	23,052	26,233
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised at a point in time (2)			22,027	21,286	23,052	26,233
Total grants and contributions			22,027	21,286	23,052	26,233

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 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Unexpended Grants at the close of the previous reporting period	1,245	2,303	14,027	1,142
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	3,053	1,116	7,749	13,829
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(1,542)	(2,174)	(9,129)	(944)
Unspent funds at 30 June	2,756	1,245	12,647	14,027
Contributions				
Unexpended Contributions at the close of the previous reporting period	87,868	74,732	–	–
Add: contributions received and not recognised as revenue in the current year	11,718	20,218	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(2,611)	(7,082)	–	–
Unspent contributions at 30 June	96,975	87,868	–	–

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	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	537	373
– Cash and investments	700	2,419
Total interest and investment income (losses)	1,237	2,792
Interest and investment income is attributable to:		
Overdue rates and annual charges (general fund)	537	373
General Council cash and investments	(88)	1,573
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	788	846
Total interest and investment income	1,237	2,792

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2022	2021
Reversal of revaluation decrements on IPPE previously expensed			
Infrastructure assets		53,022	–
Total gross reversal of revaluation decrements on IPPE previously expensed		53,022	–
Total reversal of revaluation decrements on IPPE previously expensed charged to Income Statement	C1-6	53,022	–
Fair value increment on investment properties			
Fair value increment on investment properties		3,955	4,060
Total fair value increment on investment properties	C1-7	3,955	4,060
Fair value increment on investments			
Fair value (decrement)/increment on investments through profit and loss		(1,001)	246
Fair value increment on investments (other)		348	–
Total Fair value increment on investments		(653)	246
Rental income			
Investment properties			
Lease income		2,479	2,530
Total Investment properties		2,479	2,530
Total rental income	C2-2	2,479	2,530
Total other income		58,803	6,836

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	60,003	61,766
Employee termination costs	1,069	1,602
Employee leave entitlements (ELE)	10,253	10,022
Superannuation – defined contribution plans	6,271	6,049
Superannuation – defined benefit plans	867	996
Workers' compensation insurance	1,650	1,556
Fringe benefit tax (FBT)	380	357
Protective clothing	137	210
Other	41	16
Total employee costs	80,671	82,574
Less: capitalised costs	(2,943)	(3,147)
Total employee costs expensed	77,728	79,427

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	2022	2021
Raw materials and consumables		11,700	13,825
Contractor and consultancy costs		14,312	11,050
– waste disposal tipping fees		23,538	22,489
– facility and infrastructure management		6,672	6,078
– agency staff		938	2,574
– other		1,982	1,198
Audit Fees	E2-1	205	193
Infringement notice contract costs (SEINS)		609	600
Councillor and Mayoral fees and associated expenses	E1-2	543	542
Advertising		363	457
Bank charges		469	441
Electricity and heating		1,771	1,974
Insurance		3,092	2,167
Postage		293	350
Printing and stationery		160	229
Street lighting		2,922	3,100
Subscriptions and publications		461	224
Telephone and communications		999	1,061
Valuation fees		348	356
Other expenses		1,123	1,432
Education programs		70	48
Community events		1,386	1,582
Information technology fees		3,288	3,012
Water rates and charges		1,123	1,077
Gas charges		118	94
Publicity, promotions, events		194	172
Legal expenses:			
– Legal expenses: planning and development		121	167
– Legal expenses: debt recovery		174	50
– Legal expenses: other		142	160
Expenses from leases of low value assets		268	206
Total materials and services		79,384	76,908

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2022	2021
(i) Interest bearing liability costs		
Interest on leases	107	105
Interest on loans	934	1,084
Total interest bearing liability costs	1,041	1,189
Total borrowing costs expensed	1,041	1,189

Accounting policy

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

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		1,368	1,513
Office equipment		648	572
Furniture and fittings		262	276
Infrastructure:	C1-6		
– Buildings		8,783	7,511
– Roads		11,035	10,671
– Bridges		636	583
– Footpaths		2,230	2,095
– Stormwater drainage		5,509	5,471
– Swimming pools		219	219
– Other open space/recreational assets		4,001	3,710
Right of use assets	C2-1	1,344	1,458
Other assets:			
– Library books		443	444
– Other		722	608
Intangible assets	C1-8	1,957	2,095
Total gross depreciation and amortisation costs		39,157	37,226
revaluation decrement of IPPE			
Infrastructure:	C1-6		
– Roads		–	27,974
– Stormwater drainage		–	43,621
Total gross IPPE revaluation decrement costs		–	71,595
Total IPPE revaluation decrement costs charged to Income Statement		–	71,595
Total depreciation, amortisation and impairment for non-financial assets		39,157	108,821

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	2022	2021
Impairment of receivables			
Other		363	195
Total impairment of receivables	C1-4	363	195
Fair value decrement on investments			
Movements in investments at fair value through profit and loss (CivicRisk)		–	171
Total Fair value decrement on investments	C1-2	–	171
Other			
Contributions/levies to other levels of government			
– Department of planning levy		297	377
– NSW fire brigade levy		2,416	2,693
Donations, contributions and assistance to other organisations (Section 356)		44	60
Total other		2,757	3,130
Total other expenses		3,120	3,496

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		550	–
Less: carrying amount of property assets sold/written off		(130)	–
Gain (or loss) on disposal		420	–
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		175	502
Less: carrying amount of plant and equipment assets sold/written off		–	(81)
Gain (or loss) on disposal		175	421
Net gain (or loss) from disposal of assets		595	421

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 16/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
User charges and fees	32,188	26,922	(5,266)	(16)% U
User charges had a large negative variance to the original budget largely resulting from Covid-19 lockdowns during 2021. The main areas affected were childcare fees (\$2.8m), learn to swim classes (\$936k), hall hire fees (\$514k) and pool/garden entry fees (\$490k).				
Operating grants and contributions	18,317	22,027	3,710	20% F
Operating grants had a positive variance to the original budget, driven by stimulus and advance payments in response to Covid-19 and flooding costs. Main contributors were additional advance on the 22/23 financial assistance grant (\$1.8m), Covid grants for childcare (\$590k), and flood assistance grant (\$300k).				
Interest and investment revenue	1,879	1,237	(642)	(34)% U
Interest income had negative returns on mid-term growth fund investments resulting from deteriorated global market conditions. Interest returns on other investment classes and overdue rates had positive budget variances.				
Net gains from disposal of assets	400	595	195	49% F
Council had a positive budget variance on the gain from disposal of assets due to an unbudgeted sale of a parcel of land in Lidcombe.				
Other income	3,128	58,803	55,675	1,780% F
Other income had a positive variance to the original budget due to Council not budgeting for the movement of IPPE and investment property fair values, as it is difficult to estimate this in advance.				
Expenses				
Employee benefits and on-costs	83,892	77,728	6,164	7% F
Council made significant savings on employee costs due to a large percentage of vacant roles across the organisation as well as savings on casual wages in Covid impacted service areas.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	1,322	15,626
Cash equivalent assets		
– Managed funds	–	1,451
Total cash and cash equivalents	1,322	17,077

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	1,322	17,077
Balance as per the Statement of Cash Flows	1,322	17,077

Accounting policy

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

C1-2 Financial investments

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Financial assets at fair value through the profit and loss				
Managed funds	–	11,760	–	12,568
Floating rate notes	3,153	38,819	7,007	26,025
CivicRisk Mutual	–	5,049	–	4,701
Fixed rate bonds	3,000	7,164	–	8,040
Total	6,153	62,792	7,007	51,334
Debt securities at amortised cost				
Term deposits	89,153	29,000	74,085	14,000
Total	89,153	29,000	74,085	14,000
Total financial investments	95,306	91,792	81,092	65,334
Total cash assets, cash equivalents and investments	96,628	91,792	98,169	65,334

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	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	188,420	163,503
Cash, cash equivalents and investments not subject to external restrictions	69,499	57,377

External restrictions

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

Developer contributions – general	96,975	87,868
Specific purpose unexpended grants – general fund	15,403	15,272
Domestic waste management	4,713	2,889
Stormwater management	1,830	164
Other special levies	–	(67)
Total external restrictions	118,921	106,126

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

\$ '000	2022	2021
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(b) Internal allocations

Cash, cash equivalents and investments not subject to external restrictions	69,499	57,377
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Internal allocations

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

Employees leave entitlement	7,204	6,020
Marrong Reserve South	3,154	3,154
Special Rate Variation	6,739	5,589
Woodville Reserve	1,326	1,771
S355 Park committee	597	918
Merrylands CBD Reserve	6,175	12,541
Voluntary Planning Agreements	2,296	–
Financial Assistance Grant Reserve	6,107	4,502
CivicRisk Mutual	5,049	4,701
Property Reserve	9,057	8,547
Infrastructure reserve	11,045	–
Community reserve	750	–
Total internal allocations	59,499	47,743

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

C1-4 Receivables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Rates and annual charges	8,485	–	8,958	–
Interest and extra charges	334	–	749	–
User charges and fees	4,855	–	5,419	–
Accrued revenues				
– Interest on investments	587	–	365	–
– Other income accruals	129	–	389	–
Net GST receivable	1,851	–	1,151	–
Childrens and community services	148	–	144	–
Other debtors	195	–	340	–
Total	16,584	–	17,515	–
Less: provision for impairment				
User charges and fees	(482)	–	(550)	–
Total provision for impairment – receivables	(482)	–	(550)	–
Total net receivables	16,102	–	16,965	–

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year	550	494
+ new provisions recognised during the year	265	223
– amounts already provided for and written off this year	(333)	(167)
Balance at the end of the year	482	550

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories				
Stores and materials	234	–	216	–
Total inventories	234	–	216	–
Total inventories	234	–	216	–

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 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 ²	406,651	–	406,651	–	–	–	–	298	–	–	406,949	–	406,949
– 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	3,204,081	(720,864)	2,483,217	40,302	(139)	(35,856)	53,020	–	–	142,563	3,480,635	(797,529)	2,683,106

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

(2) Community Land includes Crown land value of \$74,458

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Revalue decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	61,135	–	61,135	56,896	–	–	–	(97,791)	–	20,240	–	20,240
Plant and equipment	27,868	(21,260)	6,608	138	(83)	(1,513)	–	–	–	26,693	(21,543)	5,150
Office equipment	15,594	(12,519)	3,075	–	–	(572)	–	1,252	–	16,845	(13,090)	3,755
Furniture and fittings	6,107	(4,284)	1,823	–	–	(276)	–	288	–	6,395	(4,560)	1,835
Land:												
– Operational land	380,564	–	380,564	–	–	–	–	–	18,048	398,612	–	398,612
– Community land	406,578	–	406,578	–	–	–	–	73	–	406,651	–	406,651
– Land under roads (post 30/6/08)	143	–	143	–	–	–	–	–	–	143	–	143
Infrastructure:												
– Buildings	280,231	(70,863)	209,368	–	–	(7,511)	–	38,476	83,648	431,337	(107,356)	323,981
– Roads	818,810	(190,804)	628,006	–	–	(10,671)	(27,974)	16,143	(20,322)	832,891	(247,708)	585,183
– Bridges	49,388	(6,964)	42,424	–	–	(583)	–	1,121	–	50,510	(7,547)	42,963
– Footpaths	152,783	(49,555)	103,228	–	–	(2,095)	–	8,619	–	161,402	(51,650)	109,752
– Stormwater drainage	588,101	(111,110)	476,991	–	–	(5,471)	(43,621)	5,498	–	642,041	(208,644)	433,397
– Swimming pools	10,936	(2,710)	8,226	–	–	(219)	–	–	–	10,936	(2,929)	8,007
– Other open space/recreational assets	154,137	(36,549)	117,588	–	–	(3,710)	–	23,308	25	177,470	(40,259)	137,211
Other assets:												
– Library books	17,726	(13,701)	4,025	131	–	(444)	–	–	–	17,857	(14,145)	3,712
– Other	3,137	(824)	2,313	–	–	(608)	–	920	–	4,058	(1,433)	2,625
Total infrastructure, property, plant and equipment	2,973,238	(521,143)	2,452,095	57,165	(83)	(33,673)	(71,595)	(2,093)	81,399	3,204,081	(720,864)	2,483,217

(1) Renewals 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	2 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 50	Buildings: masonry	50 to 100
		Buildings: other	10 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 120
Bores	20 to 40	Culverts	80 to 120
Reticulation pipes: PVC	70 to 80	Flood control structures	20 to 120
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	10 to 100	Bulk earthworks	20 to 50
Sealed roads: structure	80 to 150	Swimming pools	10 to 50
Unsealed roads	10 to 40	Unsealed roads	5 to 20
Bridges	30 to 100	Other open space/recreational assets	5 to 50
Road pavements	80 to 150	Other infrastructure	5 to 75
Kerb, gutter and footpaths	20 to 150		

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	2022	2021
Owned investment property		
Investment property on hand at fair value	76,814	72,859
Total owned investment property	76,814	72,859
Owned investment property		
At fair value		
Opening balance at 1 July	72,859	70,285
Capitalised subsequent expenditure	-	2,092
Disposals during year	-	(4,050)
Net gain/(loss) from fair value adjustments	3,955	4,532
Closing balance at 30 June	76,814	72,859

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	2022	2021
Software		
Opening values at 1 July		
Gross book value	13,185	13,120
Accumulated amortisation	(10,170)	(8,076)
Net book value – opening balance	3,015	5,044
Movements for the year		
Other movements	1,934	–
Purchases	23	65
Amortisation charges	(1,957)	(2,094)
Closing values at 30 June		
Gross book value	13,208	13,185
Accumulated amortisation	(12,127)	(10,170)
Total software – net book value	1,081	3,015
Total intangible assets – net book value	1,081	3,015

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
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
2021				
Opening balance at 1 July	1,982	166	-	2,148
Additions to right-of-use assets	1,162	(43)	43	1,162
Depreciation charge	(1,292)	(123)	(43)	(1,458)
Balance at 30 June	1,852	-	-	1,852

(b) Lease liabilities

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Lease liabilities	1,158	1,146	813	1,075
Total lease liabilities	1,158	1,146	813	1,075

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
2022					
Cash flows	1,158	1,146	–	2,304	2,304
2021					
Cash flows	813	1,075	–	1,888	1,888

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Total lease liabilities relating to unrestricted assets	1,158	1,146	813	1,075
Total lease liabilities	1,158	1,146	813	1,075

(d) Income Statement

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

\$ '000	2022	2021
Interest on lease liabilities	107	105
Depreciation of right of use assets	1,344	1,458
Expenses relating to low-value leases	268	206
	1,719	1,769

(e) Statement of Cash Flows

Total cash outflow for leases	1,412	1,527
	1,412	1,527

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	2022	2021
(i) Operating Lease Income		
Investment Properties		
Lease income	2,479	2,530
Total income relating to operating leases for investment property assets	2,479	2,530

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Goods and services – operating expenditure	6,457	–	4,909	–
Accrued expenses:				
– Other expenditure accruals	4,218	–	5,870	–
Security bonds, deposits and retentions	25,127	–	22,799	–
Other	686	–	829	–
Total payables	36,488	–	34,407	–

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

\$ '000	2022	2021
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	20,075	18,214
Total payables	20,075	18,214

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	15,403	-	15,280	-
Total grants received in advance		15,403	-	15,280	-
Other		904	-	205	-
Total user fees and charges received in advance		904	-	205	-
Total contract liabilities		16,307	-	15,485	-

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	2022	2021
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	2,756	1,453
Operating grants (received prior to performance obligation being satisfied)	12,347	14,023
Total revenue recognised that was included in the contract liability balance at the beginning of the period	15,103	15,476

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	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Loans – secured ¹	5,364	20,802	5,218	26,166
Total borrowings	5,364	20,802	5,218	26,166

(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	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

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	35,984	(4,600)	–	–	–	–	31,384
Lease liability (Note C2-1b)	2,187	(299)	–	–	–	–	1,888
Total liabilities from financing activities	38,171	(4,899)	–	–	–	–	33,272

(b) Financing arrangements

\$ '000	2022	2021
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	2022		2021	
	Current	Non-current	Current	Non-current
Annual leave	7,357	38	7,204	11
Sick leave	407	–	481	–
Long service leave	10,112	488	11,056	200
ELE on-costs	1,621	–	1,324	–
Total employee benefit provisions	19,497	526	20,065	211
Total employee benefit provisions relating to unrestricted assets	19,497	526	20,065	211
Total employee benefit provisions	19,497	526	20,065	211

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

\$ '000	2022		2021	
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.				
Provisions – employees benefits			12,172	12,527
			12,172	12,527

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	2022	2021
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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		
Impact of a 1% movement in interest rates	1,601	1,071
Impact of a 10% movement in price of investments		

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

\$ '000	2022	2021
Impact of a 10% movement in market values	6,393	5,364

(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	overdue rates and annual charges < 5 years	≥ 5 years	Total
2022				
Gross carrying amount	–	–	8,485	8,485
2021				
Gross carrying amount	–	–	8,958	8,958

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	0 - 30 days	Overdue debts			Total
			31 - 60 days	61 - 90 days	> 91 days	
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
2021						
Gross carrying amount	4,950	1,558	321	147	1,581	8,557
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	550	550

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
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
2021							
Payables	0.00%	22,799	11,395	–	–	34,194	34,407
Borrowings	2.67%	–	5,218	15,986	10,180	31,384	31,384
Total financial liabilities		22,799	16,613	15,986	10,180	65,578	65,791

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 2022	Fair value measurement hierarchy			Total 2022
			Level 1 Quoted prices in active mkts 2022	Level 2 Significant observable inputs 2022	Level 3 Significant unobservable inputs 2022	
Recurring fair value measurements						
Financial assets						
Financial investments	C1-2					
Fair Value through profit and loss		30/06/22	–	–	63,929	63,929
Total financial assets			–	–	63,929	63,929
Investment property						
Investment Property	C1-7	30/06/22	–	76,814	–	76,814
Total investment property			–	76,814	–	76,814
Infrastructure, property, plant and equipment						
Operational land	C1-6	30/06/21	–	398,612	–	398,612
Community land		30/06/20	–	–	406,949	406,949
Land under roads (post 30/6/08)		30/06/17	–	–	143	143
Open Space / Recreational Assets		30/06/22	–	–	149,509	149,509
Buildings		30/06/22	–	–	340,748	340,748
Roads		30/06/22	–	–	594,109	594,109
Bridges		30/06/22	–	–	81,655	81,655
Footpaths		30/06/22	–	–	186,755	186,755
Stormwater drainage		30/06/22	–	–	480,585	480,585
Swimming pools		30/06/22	–	–	8,490	8,490
Total infrastructure, property, plant and equipment			–	398,612	2,248,943	2,647,555

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 7.5% of salaries for the year ending 30/06/2022 (increasing to 8.0% 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 \$40.0 million per annum from 1 July 2019 for to 31 December 2021 and \$20.0 million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. 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 2022 was \$744,849.37. The last valuation of the Scheme was performed by Fund Actuary Richard Boyfield, FIAA as at 30 June 2020.

D3-1 Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$425,934.60. Council's expected contribution to the plan for the next annual reporting period is \$578,128.08.

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

Employer reserves only *	\$millions	Asset Coverage
Assets	\$2,376.6	
Past Service Liabilities	\$2,380.7	99.8%
Vested Benefits	\$2,391.7	99.4%

* 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 \$284,575.44 as at 30 June 2022.

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	5.5% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* 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 30/6 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	2022	2021
Compensation:		
Short-term benefits	1,943	1,947
Termination benefits	427	431
Total	2,370	2,378

E1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	81	89
Councillors' fees	425	426
Other Councillors' expenses (including Mayor)	37	27
Total	543	542

E2 Other relationships

E2-1 Audit fees

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

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

205	193
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Remuneration for audit and other assurance services

205	193
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Total Auditor-General remuneration

205	193
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Non NSW Auditor-General audit firms

Total audit fees

205	193
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F Other matters

F1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2022	2021
Net operating result from Income Statement	86,189	(33,251)
Add / (less) non-cash items:		
Depreciation and amortisation	39,157	37,226
(Gain) / loss on disposal of assets	(595)	(421)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L	(53,022)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	653	(75)
– Investment property	(3,955)	(4,060)
– Revaluation decrements / impairments of IPP&E direct to P&L	–	71,595
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	931	(3,109)
Increase / (decrease) in provision for impairment of receivables	(68)	56
(Increase) / decrease of inventories	(18)	(8)
(Increase) / decrease of other current assets	(205)	(58)
Increase / (decrease) in payables	1,548	(698)
Increase / (decrease) in other accrued expenses payable	(1,652)	670
Increase / (decrease) in other liabilities	2,185	2,280
Increase / (decrease) in contract liabilities	822	12,040
Increase / (decrease) in employee benefit provision	(253)	(118)
Net cash flows from operating activities	71,717	82,069

F2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	3,151	215
Open Space	1,856	406
Office Equipment	1,361	115
Drainage	10,921	8,595
Footpaths	19	–
Roads	11,215	13,493
Investment property		
– Land	26	48
Total commitments	28,549	22,872
These expenditures are payable as follows:		
Within the next year	28,549	22,872
Total payable	28,549	22,872

F3 Statement of developer contributions as at 30 June 2022

F3-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Open space	36,283	4,442	–	329	(222)	147	40,979	–
Community facilities	18,188	1,164	–	160	(531)	–	18,981	–
Public domain	16,295	650	–	145	(127)	–	16,963	–
Merrylands town centre	2,870	–	–	22	(1,274)	–	1,618	–
Woodville Ward	1,689	101	–	15	(4)	–	1,801	–
Administration	1,257	137	–	11	(192)	4	1,217	–
Accessibility and traffic	1,742	54	–	15	–	–	1,811	–
Traffic facilities	3,275	1,561	–	32	–	–	4,868	–
Parking	(1,596)	–	–	(13)	–	–	(1,609)	–
Drainage	(2,339)	–	–	(21)	–	–	(2,360)	–
S7.11 contributions – under a plan	77,664	8,109	–	695	(2,350)	151	84,269	–
S7.12 levies – under a plan	5,383	2,522	–	51	(261)	–	7,695	–
Total S7.11 and S7.12 revenue under plans	83,047	10,631	–	746	(2,611)	151	91,964	–
SEPP 59 agreements	4,821	148	–	42	–	–	5,011	–
Total contributions	87,868	10,779	–	788	(2,611)	151	96,975	–

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.

F3-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN No. 2 (former Holroyd)								
Parking	(1,761)	–	–	(15)	–	–	(1,776)	–
Open space	31,387	2,287	–	281	(222)	147	33,880	–
Community facilities	12,961	298	–	114	(266)	–	13,107	–
Public domain	10,610	249	–	94	–	–	10,953	–
Drainage	(3,136)	–	–	(28)	–	–	(3,164)	–
Administration	266	45	–	2	(64)	–	249	–
Total	50,327	2,879	–	448	(552)	147	53,249	–
MERRYLANDS TOWN CENTRE (former Holroyd)								
Merrylands town centre	2,870	–	–	22	(1,274)	–	1,618	–
Total	2,870	–	–	22	(1,274)	–	1,618	–
2007 Section 94 Contribution Plan (former Auburn)								
Drainage	797	–	–	7	–	–	804	–
Parking	165	–	–	2	–	–	167	–
Community facilities	3,460	88	–	29	(265)	–	3,312	–
Accessibility and traffic	1,742	54	–	15	–	–	1,811	–
Public domain	5,218	195	–	46	(127)	–	5,332	–
Administration	887	21	–	8	(64)	4	856	–
Total	12,269	358	–	107	(456)	4	12,282	–
Woodville Ward								
Woodville Ward	1,689	101	–	15	(4)	–	1,801	–
Total	1,689	101	–	15	(4)	–	1,801	–
Cumberland Council Plan								
Traffic facilities	3,275	1,561	–	32	–	–	4,868	–
Open space	4,896	2,155	–	48	–	–	7,099	–
Community facilities	1,767	778	–	17	–	–	2,562	–
Public domain	467	206	–	5	–	–	678	–
Administration	104	71	–	1	(64)	–	112	–
Total	10,509	4,771	–	103	(64)	–	15,319	–

F3-2 Developer contributions by plan (continued)

S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN (former Auburn)								
Other	4,544	934	–	41	(261)	–	5,258	–
Total	4,544	934	–	41	(261)	–	5,258	–
Cumberland Council Plan								
Other	839	1,588	–	10	–	–	2,437	–
Total	839	1,588	–	10	–	–	2,437	–

F4 Statement of performance measures

F4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	6,581	3.18%	3.77%	1.60%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	206,648				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	184,621	80.37%	79.51%	78.71%	> 60.00%
Total continuing operating revenue ¹	229,700				
3. Unrestricted current ratio					
Current assets less all external restrictions	87,131	2.87x	2.61x	2.14x	> 1.50x
Current liabilities less specific purpose liabilities	30,338				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	46,779	6.16x	6.37x	8.40x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7,600				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	8,819	5.62%	6.37%	5.88%	< 5.00%
Rates and annual charges collectable	156,949				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	119,475	8.52	7.54	6.39	> 3.00
Monthly payments from cash flow of operating and financing activities	14,016	months	months	months	months

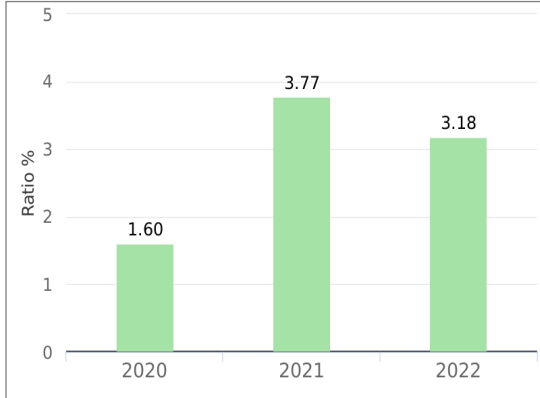
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets, net share of interests in joint ventures and associates using the equity method, Grant income reported in prior years due to changes 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 2021/22 result

2021/22 ratio 3.18%

This indicates Council's ability to contain operating expenditure within operating revenue. Ratio is holding at a similar level to 20/21 reflecting Council's commitment to maintain reasonable operating surpluses each year.

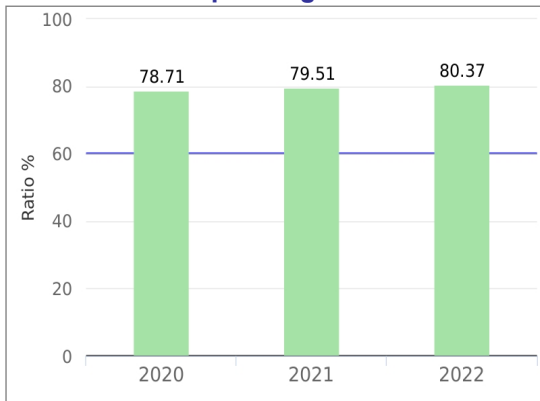
Benchmark: — > 0.00%

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 2021/22 result

2021/22 ratio 80.37%

This indicates that Council is less reliant on grants and contributions as a percentage of overall Council revenue.

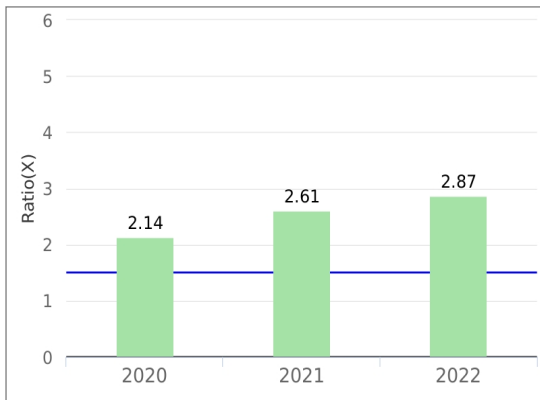
Benchmark: — > 60.00%

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 2021/22 result

2021/22 ratio 2.87x

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

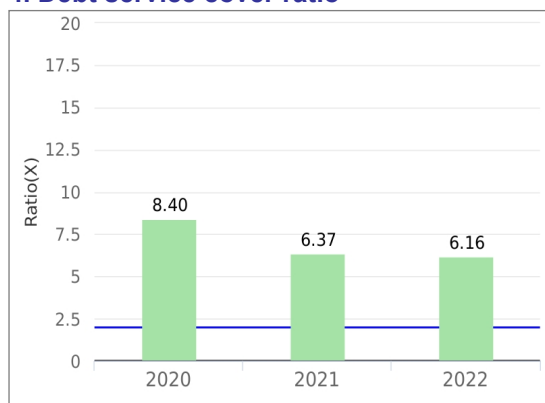
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2021/22 result

2021/22 ratio 6.16x

This ratio indicates the ability for Council to meet debt repayments.

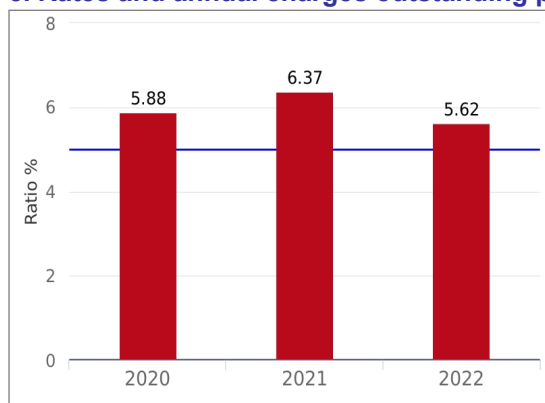
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2021/22 result

2021/22 ratio 5.62%

This ratio has improved due to Council taking proactive steps to work with ratepayers impacted by the recent pandemic and other events and make arrangements with long outstanding account holders.

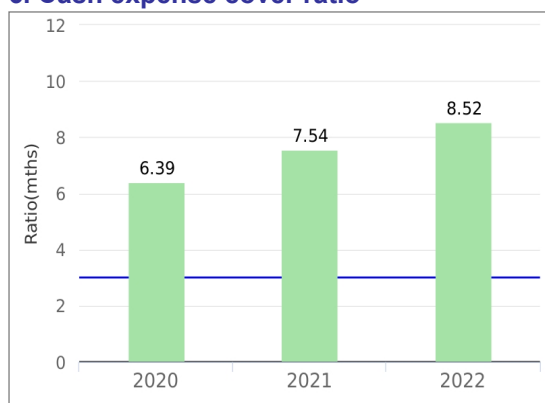
Benchmark: — < 5.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 8.52 months

Council's Cash Expense Cover Ratio is above benchmark of 3 months. This shows that Council continues to pay for its immediate expenses without additional cash flow requirements.

Benchmark: — > 3.00months

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

G1-2 Financial review

One-Off Adjustment Considerations in Council's financial result

The below items included in the 2021/22 operating result of Cumberland Council are one off/non recurring in nature.

One off/non-recurring amounts	2021/22 \$ '000
Profit on sale of assets	594
Fair value interest adjustments (non-cash)	- 1,001
Fair value investment property valuations (non-cash)	3,956
Fair value IPPE valuations (non-cash)	53,022
Advance on 22/23 federal assistance grant	6,107
Advance on 21/22 federal assistance grant received in 20/21	- 4,502
Total one off/non-recurring amounts	58,176

Significant Financial Impact Considerations from COVID-19 Pandemic

Council's income as a result of the COVID-19 pandemic, severe weather events and global market conditions was negatively impacted in 2021/22. The items below are the major areas where revenue losses were incurred.

Category	2021/22 \$ '000
Childcare income	2,249
Investment interest	1,851
Fine revenue	1,365
Learn to swim income	937
Hall hire income	514
	6,916

Total cash, cash equivalents and investments

Restricted cash & investments	30-Jun-21	30-Jun-22
Externally restricted	106,126	118,586
Internally restricted	47,743	59,517
Total restrictions	153,869	178,103
Unrestricted	9,634	10,000
Total cash & investments	163,503	188,103

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

Suman Saha

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 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. 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 2022
SYDNEY



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

Contact: Kenneth Leung
 Phone no: 02 9275 7257
 Our ref: D2222076/1719

25 October 2022

Dear Mayor

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

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

I expressed an unmodified opinion on Council's GPFS.

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

INCOME STATEMENT

Operating result

	2022 \$m	2021 \$m	Variance %
Rates and annual charges revenue	146.5	143.6	↑ 2.0
Grants and contributions revenue	45.1	47.5	↓ 5.1
Operating result from continuing operations	86.2	(33.3)	↑ 358.9

Net operating result
before capital grants and
contributions

63.1

(59.5)

206.1

Rates and annual charges revenue (\$146.5 million) increased by \$2.9 million (2.0 per cent) in 2021–22, mainly due to an increase in domestic waste management services by \$2.8 million.

Grants and contributions revenue (\$45.1 million) decreased by \$2.4 million (5.1 per cent) in 2021–22 due to:

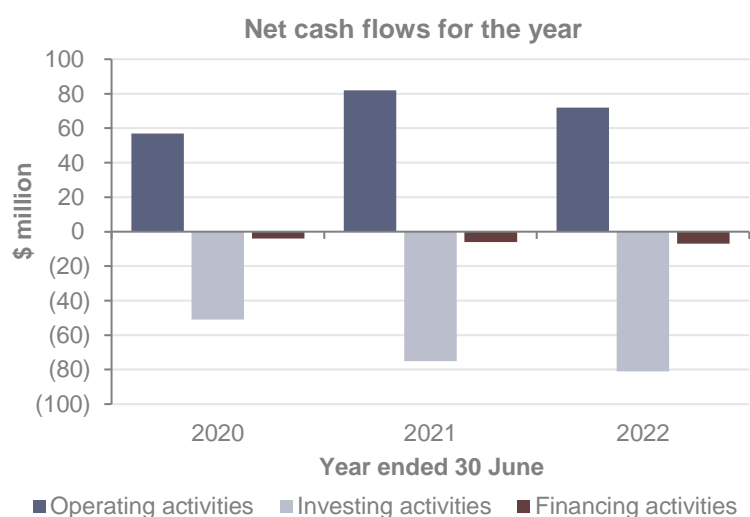
- decrease of \$6.7 million of developer contributions recognised during the year
- increase of \$1.4 million of grants recognised received for financial assistance
- increase of \$4.4 million of grants recognised received for roads and bridges.

Council's operating result from continuing operations (\$86.2 million including depreciation and amortisation expense of \$39.2 million) was \$119 million higher than the 2020–21 result. The net operating result before capital grants and contributions (\$63.1 million) was \$123 million higher than the 2020–21 result.

The increases were mainly due to the \$53.0 million increase in the fair value of infrastructure, property, plant and equipment recognised in the income statement in 2021-22. A \$71.6 million decrease in the fair value of infrastructure, property, plant and equipment was recognised in the income statement in 2020-21.

STATEMENT OF CASH FLOWS

- Operating cash flows decreased by \$10.4 million in 2021-22 mainly due to decrease in grants and contributions of \$14.2 million offset by additional rates and annual charges of \$4.3 million
- Net cash outflows from investing cash flows increased by \$6.0 million in 2021-22 partly due to acquisition of term deposits (\$13 million), purchase of investments (\$6.6 million) was offset by a decrease in payments for IPPE (\$14.8 million)
- Net cash outflows from financing activities of \$6.6 million related to repayment of borrowings and advances as well as principal component of lease payments.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	188.4	163.4	<ul style="list-style-type: none"> External restricted funds mainly included \$97 million in developer contributions. Internal restricted funds increased in 2021-22 due to infrastructure reserve of \$11 million.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	118.9	106.1	
• Internal allocations	59.5	47.7	

Debt

Council has access to a bank overdraft facility with an approved drawdown limit of \$1.5 million. There was no drawdown as at 30 June 2022.

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

PERFORMANCE

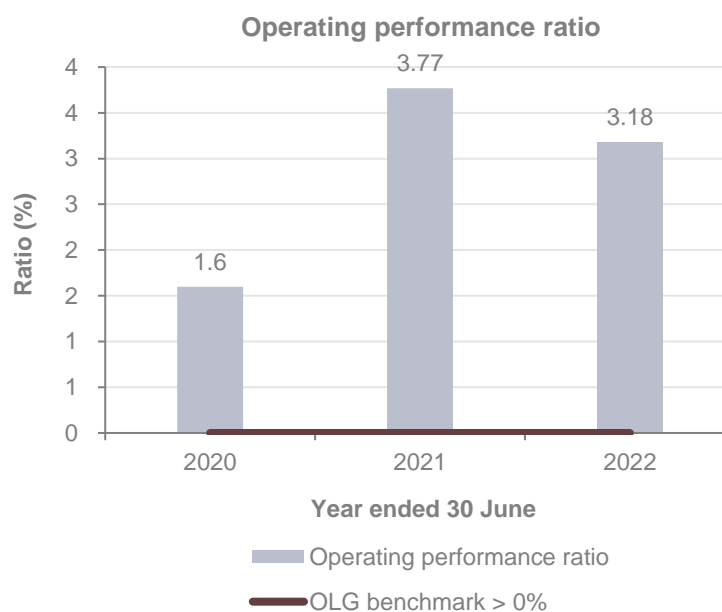
Performance measures

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 OLG benchmark for the current reporting period.

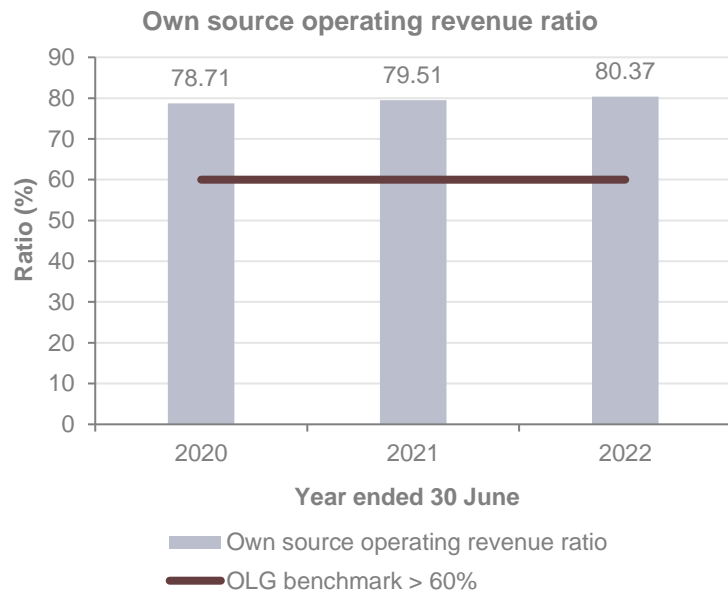
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

Council exceeded the OLG benchmark for the current reporting period.

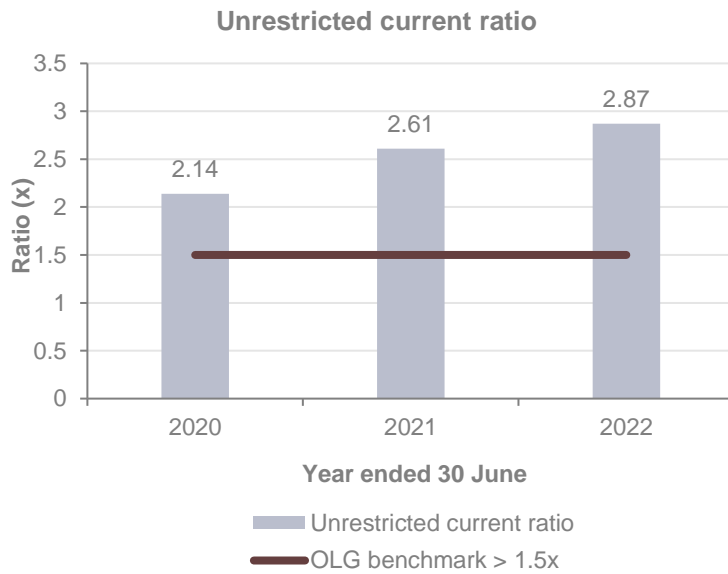
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council exceeded the OLG benchmark for the current reporting period.

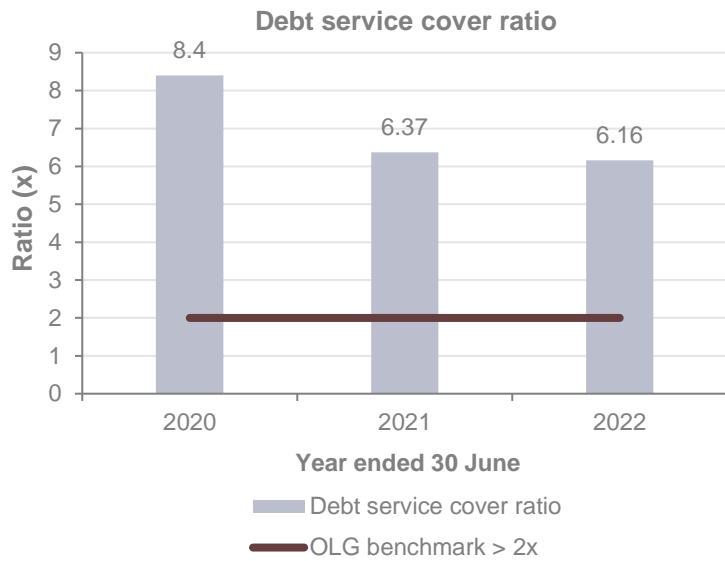
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council exceeded the OLG benchmark for the current reporting period.

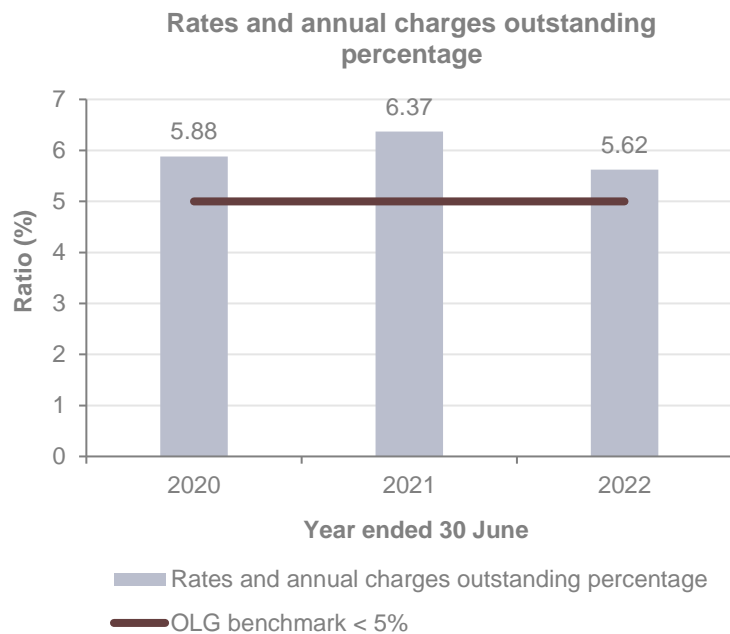
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council did not meet the OLG benchmark for the current reporting period.
- This ratio has improved due to Council taking steps to work with ratepayers impacted by the COVID-19 pandemic and other events and make arrangements with long outstanding account holders.

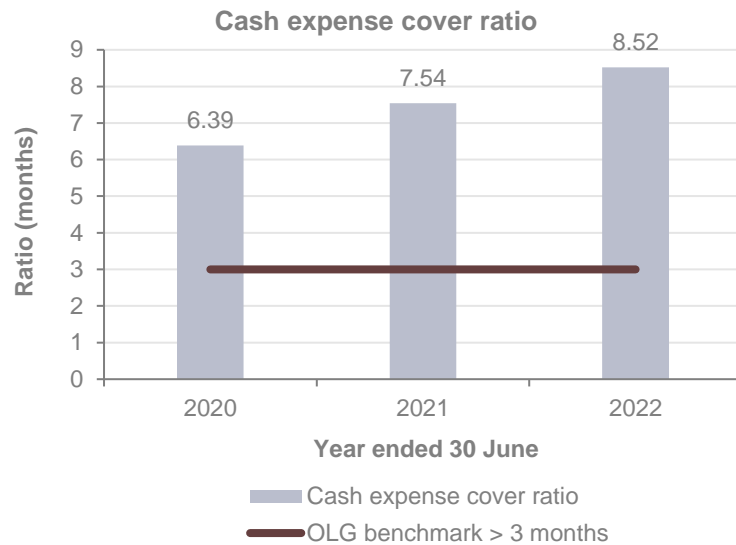
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

Council exceeded the OLG 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's asset renewals decreased from \$57.2 million in 2020-21 to \$40.3 million in 2021-22. We understand Council experienced delays in renewal works in 2021-22 as a result of COVID-19 lockdowns and poor weather.

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 2022



Cumberland City Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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Cumberland City Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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 19 October 2022.



Lisa Lake

Mayor

19 October 2022



Suman Saha

Deputy Mayor

19 October 2022



Peter J Fitzgerald

General Manager

19 October 2022



Tony Chahine

Responsible Accounting Officer

19 October 2022

Cumberland City Council

Income Statement of Golf Course

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
Income from continuing operations		
User charges	1,244	1,536
Grants and contributions provided for operating purposes	3	–
Other income	4	3
Total income from continuing operations	1,251	1,539
Expenses from continuing operations		
Employee benefits and on-costs	677	628
Materials and services	373	379
Depreciation, amortisation and impairment	165	141
Internal Overhead Expenses	16	14
Total expenses from continuing operations	1,231	1,162
Surplus (deficit) from continuing operations before capital amounts	20	377
Surplus (deficit) from continuing operations after capital amounts	20	377
Surplus (deficit) from all operations before tax	20	377
Less: corporate taxation equivalent (25%) [based on result before capital]	(5)	(98)
Surplus (deficit) after tax	15	279
Plus accumulated surplus	22,891	21,041
Plus/less: prior period adjustments	–	1,201
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	5	98
Closing accumulated surplus	22,911	22,619
Return on capital %	0.1%	1.7%
Subsidy from Council	825	165

Cumberland City Council

Income Statement of Aged Care Units

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
Income from continuing operations		
User charges	356	362
Total income from continuing operations	356	362
Expenses from continuing operations		
Materials and services	136	176
Depreciation, amortisation and impairment	315	250
Total expenses from continuing operations	451	426
Surplus (deficit) from continuing operations before capital amounts	(95)	(64)
Surplus (deficit) from continuing operations after capital amounts	(95)	(64)
Surplus (deficit) from all operations before tax	(95)	(64)
Surplus (deficit) after tax	(95)	(64)
Plus accumulated surplus	27,421	21,736
Plus/less: prior period adjustments	-	5,428
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	27,326	27,100
Return on capital %	(0.3)%	(0.2)%
Subsidy from Council	1,095	467

Cumberland City Council

Income Statement of Function Centres

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
Income from continuing operations		
User charges	549	524
Grants and contributions provided for operating purposes	250	82
Other income	28	21
Internal Income	315	413
Total income from continuing operations	1,142	1,040
Expenses from continuing operations		
Employee benefits and on-costs	737	669
Materials and services	454	409
Depreciation, amortisation and impairment	115	174
Other expenses	–	18
Internal Overhead Expenses	227	182
Total expenses from continuing operations	1,533	1,452
Surplus (deficit) from continuing operations before capital amounts	(391)	(412)
Surplus (deficit) from continuing operations after capital amounts	(391)	(412)
Surplus (deficit) from all operations before tax	(391)	(412)
Surplus (deficit) after tax	(391)	(412)
Plus accumulated surplus	3,836	5,144
Plus/less: prior period adjustments	–	(1,562)
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	3,445	3,170
Return on capital %	(10.5)%	(12.0)%
Subsidy from Council	527	463

Cumberland City Council

Income Statement of Swim Centres

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
Income from continuing operations		
User charges	1,024	1,445
Grants and contributions provided for operating purposes	48	14
Other income	379	396
Total income from continuing operations	1,451	1,855
Expenses from continuing operations		
Employee benefits and on-costs	1,766	1,561
Materials and services	2,190	2,350
Depreciation, amortisation and impairment	966	554
Calculated taxation equivalents	27	18
Internal Overhead Expenses	437	426
Total expenses from continuing operations	5,386	4,909
Surplus (deficit) from continuing operations before capital amounts	(3,935)	(3,054)
Surplus (deficit) from continuing operations after capital amounts	(3,935)	(3,054)
Surplus (deficit) from all operations before tax	(3,935)	(3,054)
Surplus (deficit) after tax	(3,935)	(3,054)
Plus accumulated surplus	58,419	28,331
Plus/less: prior period adjustments	–	26,503
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	27	18
Closing accumulated surplus	54,511	51,798
Return on capital %	(7.2)%	(5.9)%
Subsidy from Council	5,937	3,828

Cumberland City Council

Income Statement of Long Day Care

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	8,303	8,867
Grants and contributions provided for operating purposes	711	1,094
Other income	8	68
Total income from continuing operations	9,022	10,029
Expenses from continuing operations		
Employee benefits and on-costs	7,306	7,671
Materials and services	335	359
Depreciation, amortisation and impairment	248	168
Calculated taxation equivalents	296	314
Other expenses	15	2
Internal Property & Overhead Expenses	3,304	3,801
Total expenses from continuing operations	11,504	12,315
Surplus (deficit) from continuing operations before capital amounts	(2,482)	(2,286)
Surplus (deficit) from continuing operations after capital amounts	(2,482)	(2,286)
Surplus (deficit) from all operations before tax	(2,482)	(2,286)
Surplus (deficit) after tax	(2,482)	(2,286)
Plus accumulated surplus	30,099	24,523
Plus/less: prior period adjustments	–	4,417
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	296	314
Closing accumulated surplus	27,913	26,968
Return on capital %	(8.5)%	(8.1)%
Subsidy from Council	3,555	2,709

Cumberland City Council

Statement of Financial Position of Golf Course

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	23,094	22,693
Total non-current assets	23,094	22,693
Total assets	23,094	22,693
LIABILITIES		
Current liabilities		
Payables	23	28
Employee benefit provisions	82	59
Total current liabilities	105	87
Non-current liabilities		
Employee benefit provisions	78	85
Total non-current liabilities	78	85
Total liabilities	183	172
Net assets	22,911	22,521
EQUITY		
Accumulated surplus	22,911	22,521
Total equity	22,911	22,521

Cumberland City Council

Statement of Financial Position of Aged Care Units

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
ASSETS		
Current assets		
Receivables	6	29
Total current assets	6	29
Non-current assets		
Infrastructure, property, plant and equipment	27,332	27,071
Total non-current assets	27,332	27,071
Total assets	27,338	27,100
LIABILITIES		
Current liabilities		
Payables	12	–
Total current liabilities	12	–
Total liabilities	12	–
Net assets	27,326	27,100
EQUITY		
Accumulated surplus	27,326	27,100
Total equity	27,326	27,100

Cumberland City Council

Statement of Financial Position of Function Centres

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
ASSETS		
Current assets		
Receivables	45	(8)
Total current assets	45	(8)
Non-current assets		
Infrastructure, property, plant and equipment	3,720	3,437
Total non-current assets	3,720	3,437
Total assets	3,765	3,429
LIABILITIES		
Current liabilities		
Payables	26	14
Employee benefit provisions	107	91
Total current liabilities	133	105
Non-current liabilities		
Employee benefit provisions	187	154
Total non-current liabilities	187	154
Total liabilities	320	259
Net assets	3,445	3,170
EQUITY		
Accumulated surplus	3,445	3,170
Total equity	3,445	3,170

Cumberland City Council

Statement of Financial Position of Swim Centres

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
ASSETS		
Current assets		
Receivables	45	–
Total current assets	45	–
Non-current assets		
Infrastructure, property, plant and equipment	54,697	51,977
Total non-current assets	54,697	51,977
Total assets	54,742	51,977
LIABILITIES		
Current liabilities		
Payables	62	33
Employee benefit provisions	56	63
Total current liabilities	118	96
Non-current liabilities		
Employee benefit provisions	113	83
Total non-current liabilities	113	83
Total liabilities	231	179
Net assets	54,511	51,798
EQUITY		
Accumulated surplus	54,511	51,798
Total equity	54,511	51,798

Cumberland City Council

Statement of Financial Position of Long Day Care

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	29,320	28,388
Total non-current assets	29,320	28,388
Total assets	29,320	28,388
LIABILITIES		
Current liabilities		
Payables	18	7
Employee benefit provisions	553	562
Total current liabilities	571	569
Non-current liabilities		
Employee benefit provisions	836	851
Total non-current liabilities	836	851
Total liabilities	1,407	1,420
Net assets	27,913	26,968
EQUITY		
Accumulated surplus	27,913	26,968
Total equity	27,913	26,968

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

(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 – 26%

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

Income tax

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

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 26%.

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 26% 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 3.66% at 30/6/22.

(iii) Dividends

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



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 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Gold 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 2022, 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 2021–22 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. 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 2022
SYDNEY

Cumberland City Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



Cumberland City Council

Special Schedules

for the year ended 30 June 2022

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Cumberland City Council

Permissible income for general rates (Merger Councils)

\$ '000	Notes	2021/22	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2022/23
		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	27,207	59,701	14,463	101,371	29,646	57,808	14,767	102,221
Plus or minus adjustments ²	b	(24)	778	81	835	120	345	160	625
Notional general income	c = a + b	27,183	60,479	14,544	102,206	29,766	58,153	14,927	102,846
Permissible income calculation									
Or rate peg percentage	e	2.00%	2.00%	2.00%		2.50%	2.50%	2.50%	
Or plus rate peg amount	i = e x (c + g)	544	1,210	291	2,045	744	1,454	373	2,571
Sub-total	k = (c + g + h + i + j)	27,727	61,689	14,835	104,251	30,510	59,607	15,300	105,417
Plus (or minus) last year's carry forward total	l	(401)	(559)	580	(380)	(2,321)	3,321	649	1,649
Sub-total	n = (l + m)	(401)	(559)	580	(380)	(2,321)	3,321	649	1,649
Total permissible income	o = k + n	27,326	61,130	15,415	103,871	28,189	62,928	15,949	107,066
Less notional general income yield	p	29,646	57,808	14,767	102,221	32,150	59,124	14,972	106,246
Catch-up or (excess) result	q = o - p	(2,321)	3,321	649	1,649	(3,960)	3,804	977	821
Carry forward to next year ⁶	t = q + r + s	(2,321)	3,321	649	1,649	(3,960)	3,804	977	821

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 2023.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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 2022
SYDNEY

Cumberland City Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2021/22 Required maintenance ^a \$ '000	2021/22 Actual maintenance \$ '000			1	2	3	4	5
Buildings	Buildings	4,332	7,418	5,411	7,238	340,748	463,275	45.4%	38.9%	14.1%	1.1%	0.5%
	Sub-total	4,332	7,418	5,411	7,238	340,748	463,275	45.4%	38.9%	14.1%	1.1%	0.5%
Roads	Roads	44,318	77,197	8,266	9,727	441,082	594,280	39.4%	33.8%	13.8%	9.1%	3.9%
	Bridges	123	246	446	–	81,654	86,027	86.6%	12.6%	0.5%	0.3%	(0.0%)
	Kerbs	–	–	2,241	–	126,568	216,859	7.7%	32.4%	59.9%	0.0%	0.0%
	Footpaths	4,699	9,219	2,204	296	186,755	253,211	4.4%	72.0%	20.0%	3.5%	0.1%
	Car Parks	–	–	173	–	8,730	13,156	10.3%	6.1%	83.6%	0.0%	0.0%
	Public Transport Shelters	948	1,896	93	–	411	1,896	0.0%	0.0%	0.0%	100.0%	0.0%
	Signs	14	26	5	–	418	518	54.8%	10.7%	29.5%	4.3%	0.8%
	Street Furniture	–	–	49	–	2,598	4,280	16.1%	16.9%	67.0%	0.0%	0.0%
	Traffic Management Devices	1,485	2,908	533	–	14,303	29,692	1.5%	2.5%	86.2%	9.4%	0.4%
	Sub-total	51,587	91,492	14,010	10,023	862,519	1,199,919	28.3%	38.9%	25.2%	5.7%	2.0%
Stormwater drainage	Stormwater drainage	23,694	43,791	3,732	810	423,189	625,324	32.0%	53.3%	7.7%	5.9%	1.2%
	Stormwater GPT	150	300	58	–	7,422	8,728	71.9%	0.9%	23.8%	3.4%	0.0%
	Stormwater Pits	6,171	11,639	1,052	–	49,975	78,890	10.6%	46.6%	28.1%	13.0%	1.8%
	Sub-total	30,015	55,730	4,842	810	480,585	712,942	30.1%	51.9%	10.2%	6.6%	1.2%
Open space / recreational assets	Swimming pools	–	–	68	219	8,490	11,903	0.0%	44.0%	31.0%	0.0%	25.0%
	Park Infrastructure	3,180	5,440	943	7,574	83,658	119,045	16.6%	55.3%	23.5%	3.0%	1.6%
	Park active Areas	1,087	1,854	512	–	53,310	63,705	41.3%	36.7%	19.1%	1.9%	1.0%
	Bins	8	14	37	–	785	785	11.4%	64.9%	21.9%	1.4%	0.4%
	Open Space Furniture	194	325	86	–	7,160	9,255	14.8%	46.4%	35.3%	2.2%	1.4%
	Retaining Walls	–	–	81	–	4,596	5,695	0.0%	7.0%	93.0%	0.0%	0.0%
	Sub-total	4,469	7,633	1,727	7,793	157,999	210,388	22.6%	47.4%	25.0%	2.4%	2.7%
Total – all assets		90,403	162,273	25,990	25,864	1,841,851	2,586,524	31.4%	43.2%	19.1%	4.8%	1.6%

(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 2022 (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 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators		Benchmark
			2021	2020	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	28,967	89.37%	113.30%	101.93%	>= 100.00%
Depreciation, amortisation and impairment	32,413				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	90,403	4.86%	4.77%	4.83%	< 2.00%
Net carrying amount of infrastructure assets	1,861,410				
Asset maintenance ratio					
Actual asset maintenance	25,864	99.52%	106.75%	102.41%	> 100.00%
Required asset maintenance	25,990				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	162,273	6.27%	6.18%	3.87%	
Gross replacement cost	2,586,524				

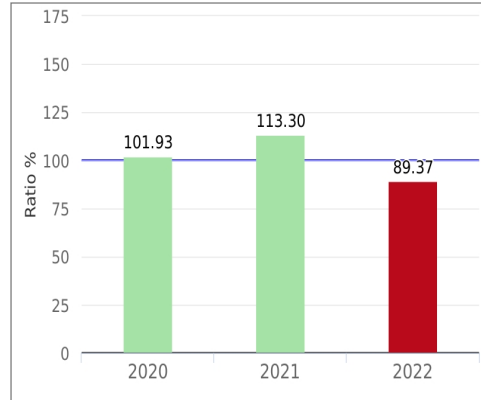
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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 2022

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

21/22 ratio 89.37%

Cumberland experienced delays in renewal works in 2021/22 due to Covid lockdowns and poor weather, which caused the asset renewal ratio to dip below the 100% target. Cumberland's long term financial plan continues to allocate above 100% in future years. Maintaining a ratio above 100% ensures assets do not deteriorate rapidly and increase Council's infrastructure backlog.

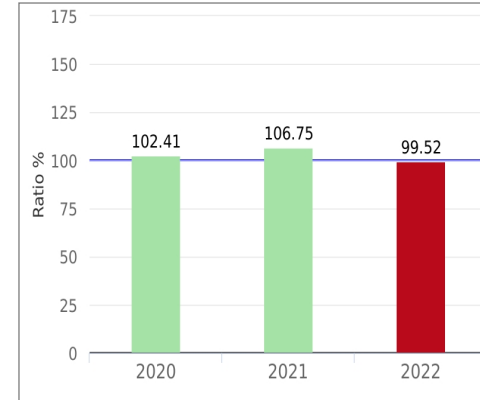
Benchmark: — $\geq 100.00\%$

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

21/22 ratio 99.52%

Slightly below benchmark due to less spending resulting from weather events and COVID lockdowns. A ratio above 100% ensures assets do not deteriorate rapidly and increase Council's infrastructure backlog.

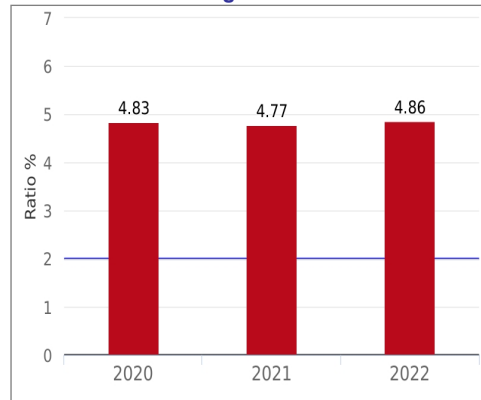
Benchmark: — $> 100.00\%$

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

21/22 ratio 4.86%

Cumberland has a slight increase in the infrastructure backlog ratio as a result of the delay in asset renewal expenditure in 2021/22.

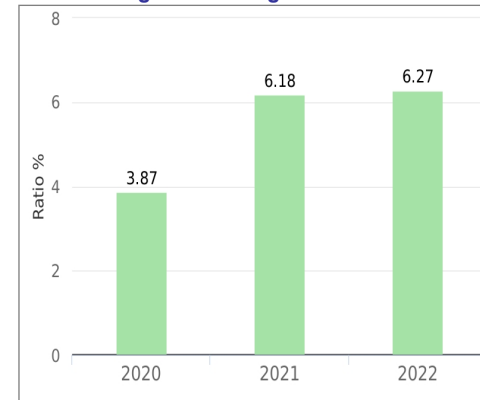
Benchmark: — $< 2.00\%$

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

21/22 ratio 6.27%

The level of asset renewals throughout the year reflects the cost required to bring assets to an agreed service level ratio.