

Penrith City Council

DRAFT ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

Our regional city is inclusive and prosperous and offers the best in urban living and a sustainable rural environment

PENRITH
CITY COUNCIL

Penrith City Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022

Our regional city is inclusive and prosperous and offers the best in urban living and a sustainable rural environment

PENRITH
CITY COUNCIL

Penrith City Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

601 High St
Penrith NSW 2750

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.penrithcity.nsw.gov.au.

Penrith City Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 September 2022.

Clr Tricia Hitchen
Mayor
26 September 2022

Clr John Thain
Deputy Mayor
26 September 2022

Warwick Winn
General Manager
26 September 2022

Andrew Moore
Responsible Accounting Officer
26 September 2022

Penrith 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		79,053	24,790
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	<u>329,938</u>	<u>92,428</u>
Total items which will not be reclassified subsequently to the operating result		329,938	92,428
Total other comprehensive income for the year		329,938	92,428
Total comprehensive income for the year attributable to Council		408,991	117,218

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

Penrith City Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	Restated 2021	Restated 1 July 2020
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	13,240	23,107	13,716
Investments	C1-2	149,651	105,167	89,768
Receivables	C1-4	14,127	13,232	12,589
Inventories	C1-5	735	518	631
Contract assets and contract cost assets	C1-6	24,749	5,728	3,645
Current assets classified as held for sale	C1-7	-	3,265	-
Other	C1-11	12,877	7,096	8,465
Total current assets		215,379	158,113	128,814
Non-current assets				
Investments	C1-2	58,298	28,701	59,235
Receivables	C1-4	3,859	3,428	1,012
Infrastructure, property, plant and equipment (IPPE)	C1-8	2,702,031	2,328,045	2,203,032
Investment property	C1-9	43,001	40,186	39,457
Intangible assets	C1-10	486	556	462
Right of use assets	C2-1	69	132	201
Investments accounted for using the equity method	D2-3	-	-	7,250
Other	C1-11	-	5,000	-
Total non-current assets		2,807,744	2,406,048	2,310,649
Total assets		3,023,123	2,564,161	2,439,463
LIABILITIES				
Current liabilities				
Payables	C3-1	42,001	34,623	31,773
Contract liabilities	C3-2	46,299	20,251	10,461
Lease liabilities	C2-1	47	72	71
Borrowings	C3-3	6,526	6,429	8,411
Employee benefit provisions	C3-4	36,978	36,696	34,399
Provisions	C3-5	725	1,803	872
Total current liabilities		132,576	99,874	85,987
Non-current liabilities				
Lease liabilities	C2-1	21	59	128
Borrowings	C3-3	36,654	19,359	25,797
Employee benefit provisions	C3-4	1,262	1,250	1,150
Total non-current liabilities		37,937	20,668	27,075
Total liabilities		170,513	120,542	113,062
Net assets		2,852,610	2,443,619	2,326,401
EQUITY				
Accumulated surplus	C4-1	1,339,440	1,260,387	1,235,306
IPPE revaluation reserve	C4-1	1,513,170	1,183,232	1,091,095
Council equity interest		2,852,610	2,443,619	2,326,401
Total equity		2,852,610	2,443,619	2,326,401

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

Penrith City Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	as at 30/06/22			as at 30/06/21		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		1,260,387	1,183,232	2,443,619	1,235,597	1,090,804	2,326,401
Restated opening balance		1,260,387	1,183,232	2,443,619	1,235,597	1,090,804	2,326,401
Net operating result for the year		79,053	–	79,053	24,790	–	24,790
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	329,938	329,938	–	92,428	92,428
Other comprehensive income		–	329,938	329,938	–	92,428	92,428
Total comprehensive income		79,053	329,938	408,991	24,790	92,428	117,218
Closing balance at 30 June		1,339,440	1,513,170	2,852,610	1,260,387	1,183,232	2,443,619

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

Penrith 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				
<i>Receipts:</i>				
180,201	Rates and annual charges		179,416	172,418
45,506	User charges and fees		37,821	38,242
955	Interest received		1,392	1,640
53,044	Grants and contributions		90,244	62,325
6,500	Bonds, deposits and retentions received		5,778	6,266
5,689	Other		6,546	7,580
<i>Payments:</i>				
(131,121)	Payments to employees		(119,989)	(113,711)
(80,878)	Payments for materials and services		(84,732)	(100,669)
(1,182)	Borrowing costs		(944)	(981)
(4,500)	Bonds, deposits and retentions refunded		(4,028)	(4,426)
(9,932)	Other		(10,247)	(13,428)
64,282	Net cash flows from operating activities	G1-1	101,257	55,256
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of investment		–	4,500
130,000	Redemption of term deposits		139,000	172,750
9,000	Proceeds from sale of IPPE		19,708	4,328
–	Deferred debtors receipts		–	330
<i>Payments:</i>				
–	Purchase of investment		(8,319)	(2,729)
(150,000)	Acquisition of term deposits		(205,001)	(151,876)
–	Purchase of investment property		(1,526)	(336)
(80,000)	Payments for IPPE		(72,241)	(63,300)
–	Purchase of intangible assets		–	(156)
(91)	Deferred debtors and advances made		(62)	(881)
(91,091)	Net cash flows from investing activities		(128,441)	(37,370)
Cash flows from financing activities				
<i>Receipts:</i>				
24,000	Proceeds from borrowings		24,000	–
<i>Payments:</i>				
(7,560)	Repayment of borrowings		(6,608)	(8,420)
(75)	Principal component of lease payments		(75)	(75)
16,365	Net cash flows from financing activities		17,317	(8,495)
(10,444)	Net change in cash and cash equivalents		(9,867)	9,391
23,000	Cash and cash equivalents at beginning of year		23,107	13,716
12,556	Cash and cash equivalents at end of year	C1-1	13,240	23,107
200,000	plus: Investments on hand at end of year	C1-2	207,949	133,868
212,556	Total cash, cash equivalents and investments		221,189	156,975

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

Penrith 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 31 October 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not-for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- i. estimated fair values of investment property – refer Note C1-9
- ii. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- iii. employee benefit provisions and on-cost – refer Note 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.

iv. COVID-19 pandemic

Council's operations have been impacted by the COVID-19 pandemic, with facility closures following the guidelines set by the Federal Government and State Government via the NSW Department of Health Public Health Orders and restrictions. Council is also providing support for impacted local businesses with fee relief from outdoor dining, food shop inspections and Annual Fire Safety Statements. Council waived commercial rents for those affected by mandatory closures and made payment arrangements available to affected businesses and ratepayers, including waiving interest charges for overdue rates. Additional reporting has been included with the continuing impacts detailed in the Quarterly Performance reporting in 2021-22 and further detailed in the 2021-22 Annual Report when presented to Council in November 2022.

Council assessed the impacts on its financial statements for the current year and determined that there was not a significant impact and Council's assets as presented in the financial statements, are at fair value.

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 entities have been included as part of the Consolidated Fund:

- General purpose operations
- Penrith Performing and Visual Arts
- Penrith Whitewater Stadium
- Ripples

The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has a number of volunteers including S.377 Committees, these services cannot be reliably measured and have not been included in the financial statements. Donated items and services including advertising and bus transportation at events, are included in the statements as these can be valued using ordinary supplier rates.

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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.

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2022.

Those newly adopted standards did not have a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

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										
Business System	–	–	978	1,067	(978)	(1,067)	–	–	–	–
Cemeteries	848	762	885	832	(37)	(70)	–	–	2,042	2
Children's Services	30,328	27,514	30,288	30,550	40	(3,036)	6,129	4,027	39,036	24,268
City Economy and Marketing	–	–	1,150	1,177	(1,150)	(1,177)	–	–	–	1
City Planning	12,163	6,487	2,953	2,689	9,210	3,798	12,945	5,548	4	–
City Strategy	52	228	1,986	2,368	(1,934)	(2,140)	52	228	–	–
Civil Maintenance, Renewal and Construction	33,549	25,365	43,658	41,240	(10,109)	(15,875)	27,551	23,947	1,667,484	2,166,660
Communications	–	7	2,424	2,354	(2,424)	(2,347)	–	–	30	–
Community Facilities and Recreation Operations	728	858	1,369	1,829	(641)	(971)	358	245	44,775	427
Community Facilities and Recreation Planning	4,405	5,209	1,789	1,724	2,616	3,485	4,365	5,174	40,075	4,001
Community Resilience (Community Safety)	488	392	492	422	(4)	(30)	488	392	834	–
Community Resilience (Neighbourhood Renewal)	456	1,291	1,788	2,316	(1,332)	(1,025)	497	466	5,056	–
Corporate Planning and Reporting	–	–	914	679	(914)	(679)	–	–	–	–
Council and Corporate Governance	1	1	2,767	1,379	(2,766)	(1,378)	–	–	53	171
Customer Experience	–	–	2,815	2,741	(2,815)	(2,741)	–	–	195	17
Design & Projects	19,864	17,054	7,585	20,666	12,279	(3,612)	19,864	17,032	1,714	–
Development Applications	3,406	1,834	5,435	6,373	(2,029)	(4,539)	343	6	33	–
Development Compliance	703	451	2,009	2,045	(1,306)	(1,594)	–	–	–	–
Development Engineering	273	405	1,675	1,781	(1,402)	(1,376)	–	–	–	–
Divisional Assurance (City Services)	34	67	880	1,624	(846)	(1,557)	29	67	–	–
Environmental Health	418	520	3,269	3,264	(2,851)	(2,744)	–	–	480	72
Executive Services	109	–	4,489	4,158	(4,380)	(4,158)	–	–	1,140	–
Financial Services	–	(671)	4,907	4,082	(4,907)	(4,753)	40	120	58	9,208
Fire Safety and Certification	712	1,252	1,718	2,721	(1,006)	(1,469)	–	–	–	–
Fleet and Plant Management	1,686	1,383	1,969	1,016	(283)	367	–	–	13,886	18,616
Floodplain & Stormwater Management	209	283	1,040	997	(831)	(714)	136	225	816	–
GIS and Mapping	–	–	783	816	(783)	(816)	–	–	41	67
Information Management	–	–	(57)	(1,281)	57	1,281	–	–	–	–

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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
Information Technology	–	–	3,780	3,787	(3,780)	(3,787)	–	–	2,046	11,611
Insurance and Risk Management	513	502	964	327	(451)	175	63	–	–	–
Internal Audit	–	–	466	422	(466)	(422)	–	–	–	–
Legal Services	979	462	1,636	752	(657)	(290)	–	–	–	–
Libraries	651	671	6,653	6,331	(6,002)	(5,660)	630	637	6,859	1,897
Nursery and Bush Care	–	170	–	1,154	–	(984)	252	168	–	–
Penrith Aquatic and Recreation Centre	2,855	4,036	6,996	7,183	(4,141)	(3,147)	–	–	27,875	1,295
Penrith Performing & Visual Arts	1,877	1,442	4,175	3,299	(2,298)	(1,857)	1,085	462	41,095	2,041
Penrith Whitewater Stadium	461	587	960	741	(499)	(154)	–	–	4	688
People and Culture	681	41	5,169	4,497	(4,488)	(4,456)	233	42	541	4,432
Place and Activation	41	1	553	832	(512)	(831)	–	1	110	11
PMO and Business Improvement	–	–	1,145	1,252	(1,145)	(1,252)	–	–	4,964	18
Property Development & Management	12,271	6,980	5,459	5,926	6,812	1,054	1,528	498	99,415	84,365
Public Space Maintenance (City Services)	11	23	16,744	17,069	(16,733)	(17,046)	–	–	518,114	2,093
Public Space Maintenance (Cross City Buildings)	–	25	11,351	10,624	(11,351)	(10,599)	777	577	118,641	221,246
Public Space Maintenance (Cross City Services)	426	560	10,731	9,757	(10,305)	(9,197)	647	560	26,506	175
Purchasing & Supply	2	8	1,186	1,162	(1,184)	(1,154)	–	–	–	602
Rangers and Animal Services	1,135	1,357	2,845	2,919	(1,710)	(1,562)	–	–	17	–
Regional Illegal Dumping (RID)	1,495	1,315	1,645	1,395	(150)	(80)	1,294	1,157	138	–
Security and Emergency Services Management	4,848	1,373	3,088	3,207	1,760	(1,834)	4,880	1,237	13,314	8,469
Social Strategy (CCD)	1,789	168	2,972	2,194	(1,183)	(2,026)	947	168	–	–
Strategic Asset Management Planning	5,842	483	4,033	4,423	1,809	(3,940)	5,842	483	751	37
Sustainability Resilience	12	7	731	761	(719)	(754)	–	–	–	–
Tourism and International Partnerships	31	66	1,071	723	(1,040)	(657)	30	66	–	–
Traffic Management, Parking & Road Safety	1,087	1,390	1,982	1,716	(895)	(326)	1,087	1,390	19,519	46
Waste Avoidance & Resource Recovery	38,983	36,890	38,616	39,415	367	(2,525)	724	11	1,068	1,625
General Revenue	159,540	149,038	–	–	159,540	149,038	13,778	10,939	324,394	–
Total functions and activities	345,962	298,287	266,909	273,497	79,053	24,790	106,594	75,873	3,023,123	2,564,161

B1-2 Components of functions or activities

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

Business Systems

Business Systems maintain and support council's corporate business information management systems, investigating and interpreting new and enhanced systems and processes to support the organisations evolving business management and reporting needs.

Cemeteries

The Cemeteries Service is responsible for the management and maintenance of Council controlled cemeteries within the Penrith Local Government Area (LGA) and the preservation and conservation of heritage elements within Penrith, St Marys, St Stephen – the Martyr and Emu Plains Cemeteries. Service activities include the provision of burial services (lawn, monument and columbarium areas); asset management; sales and marketing and the management of infrastructure and capital projects.

Children's Services

Children's Services provides facilities/children's centres, staff, resources and support to implement Children's Services programs for the benefit of families and children across the City. Planning for and supporting others to provide child and family services that meet the needs of the community. Specific service activities include Long Day Care programs; Out of School Hours Care (OOSH); Pre School programs; Vacation Care; Occasional Care Centres, programs for children with additional needs; the Mobile Play Van service; Inclusion Support programs and Children's Services planning and advocacy.

City Activation, Community and Place Management

The Place and Activation function supports better outcomes in key identified places within Penrith City. Functions include Community Resilience, Place and Activation and Social Strategy.

City Economy and Marketing

The City Economic function facilitates and promotes business investment and employment growth (Local & Regional) and support economic and business partnerships by delivering the Penrith Progression Action Plan. The Marketing function promotes the Council, its services and achievements to the community and implements a program that contributes to the enhancement of the profile of Penrith City. Service activities include a community reporting program; city marketing; destination management; tourism and international partnerships.

City Planning

The City Planning Service establishes a city-wide policy framework of planning controls, strategies and actions, based on analysis of the principles of sustainability, community needs, job creation, community values and the characteristics of the city. Service activities include planning studies and investigations, strategy and policy development, statutory plan preparation and delivery, urban design, management of Section 10.7 Planning Certificates, planning and flooding enquiries.

City Strategy

The City Strategy function advocates and promotes Council's preferred positions and priorities relevant to Western Sydney's growth and development on issues that affect the Penrith Local Government area at sub-regional and metropolitan levels. This is achieved through strategy and policy development, regional collaboration and State Government agency advocacy and engagement.

Civil Maintenance, Renewal and Constructions

The Civil Construction & Maintenance Service constructs Council's civil assets including roads, car parks, path paving, stormwater drainage. The service carries out inspections and maintenance to Council's civil assets within the road reserves, to ensure a safe and serviceable facility for the Community and inspects and maintains Council's storm water drainage systems which includes stormwater pits, pipelines, gross pollutant traps (GPT's), rural drainage, open drains (urban, waterways, wetlands, prescribed dams and retention basins) in order to maintain flows to design capacity.

Communications

The Communications function manages issues which impact upon Council and communicates Council policy and services by facilitating media relations and liaison. Service activities also include promotion, speech writing and staff media training.

B1-2 Components of functions or activities (continued)

Community Facilities and Recreation Operations

The Community Facilities and Recreation Operations is responsible for the overall management and operation of Council's neighbourhood facilities including neighbourhood centres, community centres, youth centres, senior citizens centres and community halls. The Service facilitates the delivery of a diverse range of community programs, activities and events which are offered in these facilities through the structured support of the three models of management including direct management, committee management, and management by licence agreement.

Community Facilities and Recreation Planning

The Community Facilities & Recreation Planning service provides management, development and support for a range of facilities, programs and services. Key to this service is the development of relationships and liaison with facility/venue providers, sports associations/agencies and associated service providers. Preparing grant submissions in consultation with relevant sporting club, authority or community group.

Community Resilience (Community Safety)

The Community Resilience (Community Safety) implements the Community Safety Plan for the City to provide crime prevention strategies for a safer community, both real and perceived for the Penrith Local Government Area (LGA). This is achieved through social and education programs and infrastructure projects and the support and networking of committees and groups. The service also provides support to committees and networks including the Penrith Valley Community Safety Partnership; manages and administer security for all Council's properties and facilities; manages Council's CCTV program, the Public Domain lighting policy and carries out lighting assessments

Community Resilience (Neighbourhood Renewal)

The Community Resilience (Neighbourhood Renewal) function includes neighbourhood renewal service supports increased levels of service provision from Council as well as enhancing coordination of partner organisations and is focused on established areas within the Penrith Local Government Area (LGA), particularly those areas that are considered relatively disadvantaged.

Corporate Planning and Reporting

The Corporate Planning and Reporting function compiles reporting under the Integrated Planning and Reporting framework. Reports include the Community Strategic Plan, Delivery Program and Operational Plans.

Council and Corporate Governance

The Council and Corporate Governance function ensures the required governance standards are met. Service activities include management of governance codes, registers, policies and reports, ward boundary reviews and quadrennial elections. The function also provides administrative support to the Mayor, Councillors, General Manager, and the Corporate Leadership Team.

Customer Experience

The Customer Service provides direct and telephone contact for information on Council and related services and is the single point of enquiry for all Council business. This includes counter services, switchboard services and organisational customer service training and support.

Design & Projects

The Design & Project function provides the architectural and landscape designs, advice, assessments, project management and plans for sustainable Civil projects for the organisation, which protect and enhance the visual amenity and natural landscape values that contribute to the City's character. Service activities include design and documentation, work inspections, providing advice, project planning, project brief development, site assessment and evaluation, construction management, construction and budget administration.

Development Applications

The Development Application Service implements State, Regional and Local planning policies which seek to guide and facilitate development to achieve sustainable outcomes having regard for social, economic and environmental factors by providing pre-lodgement information, an assessment and determination of Development Applications (DA), support to Council in appeals and advice to Council and stakeholders in all aspects of the DA process. Other service activities include applicant, resident and other stakeholder enquiries, subdivision applications and certificates and providing heritage advice and support to heritage assistance schemes.

B1-2 Components of functions or activities (continued)

Development Compliance

The Development Compliance Service aims to contribute to the protection and enhancement of the environment through building compliance inspections, assessments, audit programs, land use and building compliance programs including the environmental assessment of Development Applications.

Divisional Assurance

The Divisional Assurance provide environmental, health and safety advice and services for departments across the City Services division. We assist each department within the division to achieve and improve compliance with legislative obligations across these areas, including (but not limited to) asbestos management, chemical usage, fire safety, and testing and inspection programs.

Engineering Services

The Development Engineering Service delivers a certification, compliance and advice service for civil engineering works in the Penrith Local Government Area.

Environmental Health

The Environmental Health Service aims to safeguard the health of the community and contribute to the management, protection and enhancement of the environment through inspections, assessments, and monitoring programs. This is achieved through environmental education; biodiversity programs, catchment management, on-site sewage management, water quality monitoring, environmental and land use compliance programs, environmental assessment of Development Applications, the regulated Health Premises Surveillance program, the Food Safety program, health promotion, planning and advocacy.

Executive Services

The Executive Services function provides administrative support services to facilitate the fulfilment of Council's Charter within the legislative framework of the Local Government Act 1993. Service activities include Councillor and meeting support, executive support, corporate diary management and protocol coordination.

Financial Services

Financial function holds responsibility for the oversight of all Council's financial obligations and provides key financial information and advice to Council's decision makers. Specific service activities include regulatory and taxation accounting and reporting, funds and cash management, accounts payable, asset accounting, entities and committee accounting, systems accounting, rates and property information, billing, sundry debtors, debt recovery and advice to Council's decision makers to assist in maintaining long term financial sustainability.

Fire Safety and Certification

This function assesses and determines the issue of Construction, Complying Development and Building Certificates, registration of Annual Fire Safety Statements and upgrading fire safety in existing buildings.

Fleet and Plant Management

The Fleet & Plant Management function is responsible for the management of Council's vehicles, plant and equipment through scheduled and unscheduled maintenance and repairs, the purchasing, supply and disposal of these asset types and the provision of fleet administration and customer service.

Floodplain & Stormwater Management

The Floodplain & Stormwater Management function provides the framework for land use and floodplain management policy within the Penrith Local Government Area. Service activities include catchment management studies; investigations; strategy and policy development; statutory plan development; drainage catchment analysis; major drainage structure designs; catchment site inspections and flood and drainage impact assessments on specific Development Applications; and for new Release Areas.

B1-2 Components of functions or activities (continued)

GIS and Mapping

The Geographic Information System (GIS) and Mapping Information Service provides accurate and current mapping/geographical information to customers and includes the management and maintenance of Council's Geographic Information System (GIS) and user training support.

Information and Communications Technology

The Information Technology function fulfils Council's information technology requirements through the provision of advice and support to Council Staff, Entities and Councillors as well as the management, protection and maintenance of hardware, software and data. Service activities include office automation; Help Desk and telecommunications services; Information Technology systems management; desktop equipment support; IT security administration.

Information Management

The Information Management function provides the management, administration, maintenance, control and access for Council's recorded and documented information. All records management activities are carried out in accordance with the State Records Act 1998 and Council's Records Management Policy and Procedures.

Insurance and Risk Management

The Risk Management & Insurance function provides risk management advice and compliance reporting to develop and sustain a risk management culture and provides insurance, claims management and risk management training for Council and its Controlled Entities.

Internal Audit

The Internal Audit function provides the organisation with the checks and balances with Council's processes and systems that ensure that the governance standards both internal and from external sources are met and complied with and that those processes and systems are best practice

Legal Services

The Legal function involves the provision of accurate quality legal advice, representation and support to Council in matters of dispute, litigation, mediation, drafting and interpreting of agreements, conveyancing and administration.

Libraries

The Library Service provides informational, educational and recreational facilities, resources, products and services for residents of Penrith and visitors to Penrith through multiple locations, a Home Library service, a Community Toy Library and on-line services. This is achieved through the provision of books and information resources (print, media and on-line); generalised and specialised information enquiries; internet access; promotional activities; programs and events.

Nursery and Bush Care

The Bushland Management Service formulates and manages policy for the coordination and support of natural resource projects for the Penrith Local Government Area.

Penrith Performing & Visual Arts

The Penrith Performing & Visual Arts function provides Penrith the best in music, theatre and dance; with world class performances from artists acclaimed nationally and internationally on the same stages that host community festivals, shows and events.

Penrith Whitewater Stadium

This Function is the only man-made river of its kind in the southern hemisphere with Olympic sized rapids. This unique facility is a major sporting and recreation facility in Western Sydney.

People and Culture

The People and Culture function provides Human Resources Management, Learning and Development, Payroll, Industrial Relations, WHS and Injury Management services to support the organisation's strategic objectives and the delivery of Council's strategic plan.

B1-2 Components of functions or activities (continued)

PMO and Business Improvement

The PMO & Business Improvement function is responsible for promoting an agreed business excellence framework and implementing programs and initiatives in accordance with the adopted frameworks and practices. Other service activities include service reviews, systems and procedures development and other organisational development projects.

Property Development & Management

Property Development and Management provide a property management function for Council's property portfolio. In addition, the department aims to deliver or stimulate the provision of land, infrastructure, facilities and services for the social, economic and environmental needs of Penrith, realising the potential of land and infrastructure by developing land for housing, business and industry which builds social and economic prosperity for Penrith communities.

Public Space Maintenance (City Services)

The Public Space Maintenance (City Services) function co-ordinates and constructs new assets, manages and maintains all passive open space areas and maintains all active recreational areas within the Penrith Local Government Area (LGA). Service activities also include the provision of horticultural services and technical advice to other sections of Council; providing contracting services to other organisations (e.g. RMS) for horticultural maintenance activities within the Penrith LGA; administering Council's Tree Preservation Orders (TPOs); providing relevant horticultural advice to the Community; controlling weeds and plants on waterway areas under Council's control; preparing grant submissions.

Public Space Maintenance (Cross City Buildings)

The Public Space Maintenance (Cross City Buildings) function provides minor construction works and manages the maintenance and repair of all Council buildings and facilities. The service also responds to requests for unplanned maintenance of Council buildings and facilities and provides supervision and advice to controlled entities on the maintenance of their facilities. Other service activities include condition audits of buildings and facilities; planned/scheduled maintenance of Council buildings and facilities; asset planning and renewal; Civic Centre operations; bus shelter construction and replacement.

Public Space Maintenance (Cross City Services)

The Public Space Maintenance (Cross City Services) provides a high level of enhanced maintenance across the City. Service activities include the cleaning of Penrith and St Marys CBDs, footways in high priority and high usage areas; roadways (both industrial and residential), carparks, street furniture, bus shelters, local shopping centres and strips, skate parks, public toilets, community and neighbourhood centres cleaning; bulk rubbish removal; public domain lighting coordination and public toilet replacement.

Purchasing & Supply

The Purchasing & Supply function provides a wide range of support services associated with the supply function which includes ensuring contemporary policies and practices are in place for contract implementation, management for provision of goods and services, purchasing and inventory management and the distribution of products that support the ongoing maintenance and management of Council's assets and provide assistance in accomplishing Council's program. Service activities include tenders and contracts; purchasing and disposals; stores and distribution.

Rangers and Animal Control

The Regulatory and Animal Control Services provide regulation of companion animals and stock, on-street and Council parking areas and enforcement of regulatory compliance issues, through patrols, education and enforcement. Service activities include the regulation of Council parking areas, school zones, on-street and designated areas; police liaison; infringement management; local emergency response, an impounding and collection service and facility for companion animals and stock; registration and micro chipping; dog attack and complaint investigations and delivering education programs.

Regional Illegal Dumping (RID)

The Regional Illegal Dumping (RID) Service carries out patrols, investigations, special operations, issues notices and educates the public to deter illegal waste dumping practices within Western Sydney

Ripples Leisure Centres

The Penrith Aquatic and Leisure Centre (Ripples) service provides recreational, leisure, hydrotherapy and sporting opportunities for the Penrith LGA providing access both wet and dry fitness and recreation areas. Service activities include Fitness programs (gymnasium, aerobics, aqua aerobics and personal training); Aquatics (Learn to Swim programs, squad training and general pool access); café operations; Hydrotherapy; St Clair Leisure Centre, asset management, promotions and marketing.

B1-2 Components of functions or activities (continued)

Security and Emergency Services Management

The Security and Emergency Services Management provides support to the State Emergency Services in assisting with the planning, implementation and review of the response provided during a significant emergency in the Penrith Local Government Area, providing administrative support and funding to the NSW Rural Fire Service (RFS) and State Emergency Service (SES) and managing the distribution of funding contributions to the NSW Fire Brigade. This service also maintains vehicles, equipment and buildings for the local RFS and SES.

Social Strategy (CCD)

Social Strategy (CCD) identifies the City's priority social issues and needs, and with its government and community partners develops strategies to contribute to community wellbeing and build on community strengths.

Sustainability and Resilience

The Sustainability and Resilience function develops strategies and coordinates programs that integrate sustainability into the planning, decision-making and operational activities of Council, to ensure the continual improvement of Council's operating environment and contribute to the long-term sustainability of the City. Service activities include Sustainability project scoping and inception, studies and investigations, development of strategies and policies, the integration of Sustainability throughout the organisation through training, systems and reporting and the delivery of education programs into the Community.

Strategic Asset Management Planning

The Strategic Asset Management Planning is accountable for policies that support the strategic management, maintenance and performance indicators for the City's assets. The Asset Management Department is responsible for the centralised planning of Council's Civil and Parks Asset Management programs, City Safety and Security functions, and oversees the majority of Council's assets including buildings, active and passive open space areas (including sporting fields, playgrounds, parks), roads, bridges, footpaths and drainage

Traffic Management, Parking & Road Safety

The Traffic Management, Parking and Road Safety Service provides advocacy for transport and facilities, technical advice, traffic impact assessments, road safety programs, traffic facility / footpath / bicycle facility / bus shelter construction programs, and administers the functions of the Local Traffic Committee, on all public roads (except classified main roads) in the Penrith LGA.

Waste Avoidance & Resource Recovery

The Waste Avoidance and Resource Recovery contributes significantly to the Community through the management of waste collection services, sustainable resource management and community education. Service activities include a residential garbage, clean up and recycling collection service; a residential organics collection service; an effluent pump out service; a bulk bin and street litter bin waste collection service; Waste education programs for the Community; strategic research; industry benchmarking and sustainable resource management.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	109,192	105,601
Farmland	2,775	3,027
Business	28,895	26,942
Less: pensioner rebates	(1,867)	(1,888)
Rates levied to ratepayers	138,995	133,682
Pensioner rate subsidies received	1,005	1,023
Total ordinary rates	140,000	134,705
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	38,088	36,641
Stormwater management services	2,473	2,379
Waste management services (non-domestic)	34	35
Section 611 charges	96	101
Less: pensioner rebates (Domestic waste services)	(636)	(643)
Less: pensioner rebates (Stormwater management services)	(220)	(223)
Annual charges levied	39,835	38,290
Pensioner subsidies received:		
– Domestic waste management	371	369
Total annual charges	40,206	38,659
Total rates and annual charges	180,206	173,364

Council has used 2020 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	2022	2021
User charges		
Domestic waste management services	9	48
Waste management services (non-domestic)	8	–
Total user charges	17	48
Fees		
Building Regulation	663	883
Planning and building regulation	3,274	2,655
Other regulatory/statutory fees	735	816
Section 10.7 certificates (EP&A Act)	526	539
Section 603 Certificates	388	377
Cemeteries	843	750
Child care	24,201	23,474
Companion animals	198	188
Halls and community centres	326	601
Performing Arts Centre/Gallery	790	976
Penrith Whitewater Stadium	460	587
Road reinstatements	2,010	1,413
Sport and recreation	77	365
Swimming centres	2,792	2,974
Other	556	921
Total fees	37,839	37,519
Total user charges and fees	37,856	37,567
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	24,611	24,185
User charges and fees recognised at a point in time	13,245	13,382
Total user charges and fees	37,856	37,567

Accounting policy

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

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

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

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

B2-3 Other revenues

\$ '000	2022	2021
Fines	1,578	1,541
Legal fees recovery – rates and charges (extra charges)	–	4
Legal fees recovery – other	1,010	494
Purchasing / performance rebate	158	144
Insurance claims recoveries	894	498
Other	87	141
Total other revenue	3,727	2,822
Timing of revenue recognition for other revenue		
Other revenue recognised over time	–	–
Other revenue recognised at a point in time	3,727	2,822
Total other revenue	3,727	2,822

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	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Financial Assistance				
Prepayment received in advance for subsequent year	6,793	4,346	-	-
Relating to current year	4,424	4,062	-	-
Financial Assistance - Roads Component				
Relating to current year	1,474	1,219	-	-
Prepayment received in advance for subsequent year	2,274	1,309	-	-
Amount recognised as income during current year	14,965	10,936	-	-
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Bushfire and emergency services	2,153	941	1,340	208
Children's services	5,973	3,743	155	283
Civil construction (roads and drainage)	-	9,008	8,234	3,121
Community services	456	168	-	-
Cultural facilities	449	438	-	-
Design and major projects	4,666	2,676	6,909	3,946
Domestic waste	484	15	-	-
Library	630	637	-	-
Local infrastructure renewal scheme (LIRS)	41	120	-	-
Other contributions	834	276	1,158	506
Parks environmental management	189	108	-	10
Other specific grants	2,384	980	2,354	798
Recreation and leisure facilities management	-	130	4,361	4,950
Recreation and culture	4	-	8,290	1,497
RID squad	716	1,157	-	-
Roads maintenance	139	196	209	17
Street lighting	560	570	488	382
Traffic and transport	76	66	1,011	1,325
Transport for NSW contributions (regional roads, block grant)	1,035	1,035	456	456
Total special purpose grants and non-developer contributions – cash	20,789	22,264	34,965	17,499
Non-cash contributions				
Bushfire services	-	-	897	-
Other	-	9	-	-
Subdivision Dedications (other than by s7.11)	-	-	22,032	19,072
Total other contributions – non-cash	-	9	22,929	19,072
Total special purpose grants and non-developer contributions (tied)	20,789	22,273	57,894	36,571
Total grants and non-developer contributions	35,754	33,209	57,894	36,571
Comprising:				
– Commonwealth funding	20,482	14,317	8,631	1,495
– State funding	12,060	7,197	24,485	14,785
– Other funding	3,212	11,695	24,778	20,291
	35,754	33,209	57,894	36,571

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G5				
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	57	154
S 7.11 – contributions towards amenities/services		–	–	8,361	4,513
S 7.12 – fixed development consent levies		–	–	2,802	576
Total developer contributions – cash		–	–	11,220	5,243
Non-cash contributions					
Other developer contributions		–	–	1,726	850
Total developer contributions non-cash		–	–	1,726	850
Total developer contributions		–	–	12,946	6,093
Total contributions		–	–	12,946	6,093
Total grants and contributions		35,754	33,209	70,840	42,664
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		168	111	34,507	17,290
Grants and contributions recognised at a point in time		35,586	33,098	36,333	25,374
Total grants and contributions		35,754	33,209	70,840	42,664

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				
Unspent funds at 1 July	1,327	2,087	13,286	4,023
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	3,269	802	(3,705)	–
Less: capital grants recognised in a previous reporting period now spent	(1,012)	(1,596)	–	–
Add: Funds received and not recognised as revenue in the current year	546	180	37,214	13,286
Less: Funds received in prior year but revenue recognised and funds spent in current year	(323)	(146)	(9,645)	(3,504)
Less: operating grants recognised as income in the current period but not received (contract asset)	–	–	–	–
Unspent grants at 30 June	3,807	1,327	37,150	13,805
Unspent Contributions				
Unspent funds at 1 July	1,743	1,478	53,529	56,457
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	502	856	14,987	4,935
Add: contributions received and not recognised as revenue in the current year	25	31	715	808
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(436)	(622)	(4,099)	(8,671)
Unspent contributions at 30 June	1,834	1,743	65,132	53,529
Total unspent grants and contributions	5,641	3,070	102,282	66,815

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 but include Road Safety Programs and Waste Initiatives. 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. operational funding for the Regional Illegal Dumping Squad 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.

B2-4 Grants and contributions (continued)

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	427	161
– Cash and investments	1,368	1,326
Total interest and investment income (losses)	1,795	1,487

Accounting policy

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

Dividends are recognised as income in profit or loss when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other income

\$ '000	Notes	2022	2021
Fair value increment on investment properties			
Fair value increment on investment properties		1,289	393
Total fair value increment on investment properties	C1-9	1,289	393
Fair value increment on investments			
Fair value increment on investments through profit and loss		–	260
Total Fair value increment on investments		–	260
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		1,555	1,809
Lease income relating to variable lease payments not dependent on an index or a rate		146	45
Total Investment properties		1,701	1,854
Other		2,073	2,713
Total other lease income		2,073	2,713
Total rental income	C2-2	3,774	4,567
Total other income		5,063	5,220

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	93,474	89,783
Employee leave entitlements (ELE)	18,296	15,544
Superannuation – guarantee levy	10,075	9,038
Superannuation – defined benefit plans	1,192	1,458
Workers' compensation insurance	2,080	1,652
Fringe benefit tax (FBT)	254	207
Other	142	133
Total employee costs	125,513	117,815
Less: capitalised costs	(3,266)	(1,696)
Total employee costs expensed	122,247	116,119

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		7,247	6,045
– Building and parks services		12,126	24,631
– Cleaning services		1,742	1,995
– Computer software maintenance		4,467	3,941
– Engineering services		1,186	1,050
– Garbage services		8,566	8,722
– Organic services		3,365	3,202
– Recycling services		2,651	1,920
– Security services		1,106	835
– Sullage services		172	205
– Tipping services		11,577	14,073
Contractor and consultancy costs ¹		8,788	10,078
Audit Fees	F2-1	149	141
Councillor and Mayoral fees and associated expenses	F1-2	614	601
Training costs (other than salaries and wages)		652	751
Advertising		226	335
Electricity and heating		1,848	1,964
Insurance		3,949	2,684
Postage		548	472
Printing and stationery		620	616
Street lighting		3,407	4,219
Subscriptions and publications		500	738
Telephone and communications		1,251	1,014
Cost of sales		158	241
Other expenses ¹		4,899	7,253
Water rates and charges		728	586
Operating leases expense:			
Expenses from leases of low value assets		154	155
Legal expenses:			
– Legal expenses: planning and development		1,569	1,667
– Legal expenses: other		40	724
Total materials and services		84,305	100,858
Total materials and services		84,305	100,858

Accounting policy

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

(1) Prior year Internal Service Recovery of \$6,429,225 reclassified from Other Expenses to Contractors and Consultancy Costs

B3-3 Borrowing costs

\$ '000	2022	2021
(i) Interest bearing liability costs		
Interest on leases	3	4
Interest on loans	941	977
Total interest bearing liability costs expensed	944	981
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
Total borrowing costs expensed	944	981

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		3,057	2,540
Office equipment		1,878	1,674
Furniture and fittings		777	791
Land improvements (depreciable)		2,841	2,704
Infrastructure:	C1-8		
– Buildings		7,393	7,104
– Roads		21,786	20,945
– Stormwater drainage		7,620	7,210
– Other open space/recreational assets		1,279	687
– Other infrastructure		61	57
Right of use assets	C2-1	75	76
Other assets:			
– Library books		410	412
– Other		24	24
Intangible assets	C1-10	70	62
Total depreciation and amortisation costs		47,271	44,286
Total depreciation, amortisation and impairment for non-financial assets		47,271	44,286

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values where relevant, over their estimated useful lives. Useful lives are included in Note C1-8 for IPPE 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	2022	2021
Impairment of receivables	125	40
Fair value decrement on investments	239	–
Contributions/levies to other levels of government		
– Department of planning levy	620	636
– Emergency services levy (includes FRNSW, SES, and RFS levies)	1,071	2,342
– Waste levy	6,407	5,462
– Other donations and contributions	3,552	2,541
Other	128	232
Total other expenses	12,142	11,253

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
Infrastructure, property, plant and equipment			
	C1-8		
Proceeds from disposal		6,666	4,328
Less: carrying amount of assets sold/written off		(5,661)	(2,374)
Gain (or loss) on disposal		1,005	1,954
Gain (or loss) on disposal of non-current assets classified as 'held for sale'			
	C1-7		
Proceeds from disposal – non-current assets 'held for sale'		13,042	–
Less: carrying amount of 'held for sale' assets sold/written off		(3,326)	–
Gain (or loss) on disposal		9,716	–
Net gain (or loss) from disposal of assets		10,721	1,954

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

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

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
User charges and fees	44,116	37,856	(6,260)	(14)% U
Actual User Fees and Charges were unfavourable by \$6.2m. This is partly due to the overall income at Ripples being impacted by Covid which had a variance of \$2.6m compared with original budget. Children Services was also impacted and revenue was down by \$3.4m from expected budget.				
Other revenues	2,401	3,727	1,326	55% F
Material Budget Variations were attributed to several areas performing greater than the original budgets for the year, they include: Legal and Solicitors Costs recovered greater than anticipated \$1m, Environmental Health and Compliance Fines of \$497,000, Insurance claims recovered due to higher claims from weather events \$446,000 and Workers Compensation Recover \$298,000. Area's which returned less than anticipated were Performance Rebates which were not received \$175,000, Solicitor Costs Recovered \$226,000 & Car Parking income \$517,000.				
Operating grants and contributions	19,491	35,754	16,263	83% F
Variances for Operating Grants and Contributions were attributed to Financial Assistance Grants in Advance of \$9m not in original budget, less \$5m which was received in the 2020-21 Financial Year. Other Grants received which were greater than original budget included Roadworks grants of \$3m, State Specific Purpose grants of \$3m. Pre-School grants of \$3.7m were also received which was not in original budget.				
Capital grants and contributions	47,553	70,840	23,287	49% F
Material Budget Variations for Capital Grants & Contributions was favourable for Council. These were recognised in the following areas where Grants and Contributions were greater than anticipated: Subdivision Contributions \$8m, S7.11 & S.712 Contributions \$6.9m, Other Federal Grants for New Assets \$5.5m, Child Care Centre upgrades \$155,000 & Bushfire Grants \$254,000. Roadworks Capital Grants for New & Replacement Assets was less than anticipated by \$1.5m.				
Interest and investment revenue	955	1,795	840	88% F
Return on Interest and Investment was favourable by \$840,000. This was identified in several areas, which attributed to external factors. When original budgets were prepared for the financial year, it was not anticipated that the cash rate would increase towards the end of the year to 85 basis points. The optimum mix of Term Deposits and Floating Rate Notes held in the portfolio returned a good margin above the cash rate and the benchmark 90 day Bank Bill Swap Rate (BBSW) throughout the year. The unrestricted portion of the portfolio was higher than originally estimated so the untied interest earned on the portfolio increased above of the original budgets by (\$269,000), Interest on Developer Contributions was greater than anticipated by (\$117,000) and interest accrued on unpaid rates including additional charges (\$262,000).				
Net gains from disposal of assets	6,553	10,721	4,168	64% F
The disposal of assets was budgeted to be a gain of \$6.5m whereas Council received a profit of \$10.7m during the year. This was primarily due to the sale of Real Estate \$5.3m not accounted for in budgets, Sale of Land \$869,000 above original budget, higher prices received at auction from second hand motor vehicles generating \$1m more than expected. Council also experienced a loss in the Disposal of Buildings \$2.4m, Plant \$73,000 and write off of impaired assets \$600,000.				
Other income	4,677	5,063	386	8% F
As a result of COVID19 impact, the decision was made waive Property Rental Income which was not in the original budget				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
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which resulted in income lower than original budget of \$357,000. The transformation for City Park has resulted in a properties no longer treated as commercial rentals during the year, which resulted in a loss of income of \$763,000. Council generated Income from Telecommunications poles was greater than original budgeted \$107,000.

Expenses

Employee benefits and on-costs	131,121	122,247	8,874	7% F
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Actuals were lower than originally budget by \$9.3m which had a favourable result. This was due to two key factors. Actual cost for pay rises, payouts and salaries & allowance has lower than original budget resulting in a \$7.8m variance. Actual employee costs recovered from projects was higher than original budget \$1.8m.

Borrowing costs	1,182	944	238	20% F
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Actual borrowing costs was lower than original budget due to the delay in drawdown of loans which resulted in a favourable outcome of \$238,000.

Depreciation, amortisation and impairment of non-financial assets	44,377	47,271	(2,894)	(7)% U
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There has been a significant investment in Capital Expenditure across the asset classes over the last 2 financial years (\$53.3m in 19-20 compared to \$82.4m in 20-21 and \$94.1m in 21-22). This has impacted the financial statements with an increased depreciation expense, the 22-23 original budget has been increased correspondingly.

Other expenses	9,932	12,142	(2,210)	(22)% U
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Material Budget Variations on Other Expenses were recognised in several areas: These include Waste Levy which was greater than anticipated due to the levy increase from 67% to 100% not originally budgeted, resulting in a \$1.7m variance. Plan First payments \$620,000 & Emergency Service Levy \$1m which were not originally recognised within the original budget. Council also made savings where Contributions to Authorities were less than anticipated \$904,000 and Asset Maintenance Indexation which was originally budgeted for under Other Expense was reclassified to Material and Contracts \$600,000.

Statement of cash flows

Cash flows from operating activities	64,282	101,257	36,975	58% F
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Material Budget Variations for the Cash Flow provided from operating activities is based on a number of assumptions which is difficult to accurately predict. Overall, the Cash flows from Operating Activities were favourable compared to original budgets which resulted from several areas: Other Expenses and Material & Contracts was greater than original budget and Employee Costs was less than anticipated. Revenue from User Fees & Charges experienced a decrease in revenue while Interest on Investments & Operating Grant & Contributions were greater than anticipated.

Cash flows from investing activities	(91,091)	(128,441)	(37,350)	41% U
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Included within investing activities is the purchase of Infrastructure, Property, Plant and Equipment (IPPE) as well as cash investments such as term deposits. The 2021-22 IPPE project budget had \$24.2m revoted in 2021-22 to be completed next year. The remaining amount is mainly due to the placement and maturity of term deposits which are difficult to provide a cash flow budget during the year as they are affected by a number of factors including the investment of government grants that are received in advance during the year, choosing different maturity timeframes to take advantage of attractive interest rates and meeting day to day operational requirements which change during the year.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	1,972	6,830
Cash equivalent assets		
– Deposits at call	11,268	11,277
– Short-term deposits	–	5,000
Total cash and cash equivalents	13,240	23,107

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	13,240	23,107
Balance as per the Statement of Cash Flows	13,240	23,107

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	Notes	2022	2022	2021	2021
		Current	Non-current	Current	Non-current
Financial assets at fair value through profit and loss					
- Floating Rate Notes		3,006	16,033	3,023	7,858
- Mortgage Backed Securities		-	1,444	-	1,509
- Other long term financial assets		-	7,321	-	7,334
- Term Deposits		146,645	33,500	102,144	12,000
Total financial investments		149,651	58,298	105,167	28,701
Total cash assets, cash equivalents and investments	C1-1,C1-2	162,891	58,298	128,274	28,701

Accounting policy

Financial instruments are recognised initially on the date that 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.

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

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

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 profit or loss.

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

C1-2 Financial investments (continued)

Interest in insurance mutuals

Council is member of CivicRisk Mutual Ltd (CRM Ltd) which is company limited by guarantee owned and operated by its member Councils in NSW. CRM Ltd provides members protection which includes mutual self-insurance, group insurance arrangements and risk management support for general insurance lines of cover (excluding workers compensation). Up until 1 July 2020, Council was a member of CivicRisk West and Metro and CivicRisk Mutual which were joint ventures operating for the same purpose as CivicRisk Mutual Ltd since the late 1980's. The members decided to novate assets, liabilities and members equity of the joint ventures into CivicRisk Mutual Ltd for compliance and efficiency reasons. The members designed the Constitution and Membership Rules of CRM Ltd which ensures members continue to be provided with a right to the surplus or deficit in protection years in which they were members.

The interest in CRM is accounted for as a financial asset in accordance with AASB 9 and held at fair value. Council's interest in its share of the surplus is calculated by CRM Ltd's Actuary, and changes in fair value recognized, as an increase or decrease through its income statement at each reporting period. Fair value is calculated using the income approach whereby expected future cash flows are discounted to present value. Expected cash flows include investment income.

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	221,189	156,975
Less: Externally restricted cash, cash equivalents and investments	<u>(130,128)</u>	<u>(85,127)</u>
Cash, cash equivalents and investments not subject to external restrictions	91,061	71,848
\$ '000	Notes	2022
		2021

External restrictions

External restrictions – included in liabilities

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

Specific purpose unexpended loans – general	20,307	–
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External restrictions

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

Developer contributions – general	B2-6,G5	57,407	50,378
Specific purpose unexpended grants - general fund	C3-2	32,218	14,613
Domestic waste management		11,708	11,830
Stormwater management		2,792	2,189
Sullage reserve		508	336
Childcare		2,718	941
Waste and sustainability		127	166
Other		2,419	4,674
Total external restrictions		130,128	85,127

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	91,061	71,848
Unrestricted and unallocated cash, cash equivalents and investments	5,170	5,695

Internal allocations

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

Plant and vehicle replacement	3,798	2,978
Employees leave entitlement	5,208	5,010
Deposits, retentions and bonds	17,881	15,923
Acquisition of land and buildings	17,570	8,326
Cemetery reserve	627	647
Children's services reserve	350	404
Election reserve	109	730
Financial Assistance Grant received in advance	7,988	4,890
Financial management	18,780	13,680
Infrastructure construction	1,081	1,690
Insurance reserve	2,517	4,674

continued on next page ...

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

\$ '000	2022	2021
Legal reserve	948	52
Revote reserve	2,402	1,607
Salary administration	15	60
Sustainability revolving fund	1,393	776
Voted works	505	396
Other	4,719	4,310
Total internal allocations	85,891	66,153

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

\$ '000	2022	2021
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	5,170	5,695

C1-4 Receivables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Rates and annual charges	7,932	3,143	6,606	2,737
Interest and extra charges	410	623	345	520
User charges and fees	1,314	–	1,813	–
Accrued revenues				
– Interest on investments	428	–	139	–
Deferred debtors	126	915	39	940
Government grants and subsidies	3,724	–	4,383	–
Net GST Receivable	1,927	–	1,096	–
Other debtors	7	–	8	–
Total	15,868	4,681	14,429	4,197
Less: provision for impairment				
Rates and annual charges	(1,362)	(448)	(935)	(417)
Interest and extra charges	(85)	(374)	(53)	(352)
User charges and fees	(294)	–	(209)	–
Total	(1,741)	(822)	(1,197)	(769)
Total net receivables	14,127	3,859	13,232	3,428

Accounting policy

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.

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.

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, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

None of the receivables that have been written off are subject to enforcement activity.

Due to the COVID-19 pandemic, debt recovery action ceased in January 2020 for land rates & debtors, as at 30 June 2022 the impact was evident but not material.

C1-4 Receivables (continued)

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Stores and materials	735	-	518	-
Total inventories at cost	735	-	518	-
Total inventories	735	-	518	-

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Contract assets and Contract cost assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Contract assets	24,749	–	5,728	–
Total contract assets and contract cost assets	24,749	–	5,728	–

Contract assets

Work relating to infrastructure grants	15,883	–	5,617	–
Other	8,866	–	111	–
Total contract assets	24,749	–	5,728	–

Accounting policy

Contract assets

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

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

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

Contract cost asset – costs to fulfil a contract

Council recognises assets relating to the costs incurred to fulfil a contract that are directly related to the contract provided they will be recovered through performance of the contract.

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

\$ '000	2022 Current	2021 Current
Non-current assets held for sale		
Land	-	3,265
Total non-current assets classified as held for sale	-	3,265

Details of assets and disposal groups

Council transferred land from non-current assets as they were classified as held for sale in 2020-21 and subsequently disposed in 2021-22.

Accounting policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use and are measured at the lower of their carrying amount and fair value less costs to sell.

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

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period						At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions New Assets	Additions Renewals/ Upgrade Assets ¹	Carrying value of disposals	Depreciation expense	Transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	11,202	–	11,202	24,999	–	–	–	(2,597)	–	33,604	–	33,604
Plant and equipment	41,200	(21,611)	19,589	4,385	372	(1,425)	(3,057)	34	–	43,017	(23,119)	19,898
Office equipment	41,597	(31,904)	9,693	958	221	–	(1,878)	–	–	42,742	(33,748)	8,994
Furniture and fittings	12,747	(8,083)	4,664	54	–	–	(777)	–	–	12,776	(8,834)	3,942
Land:												
– Crown land	18,062	–	18,062	–	–	–	–	–	2,005	20,066	–	20,066
– Operational land	187,800	–	187,800	56	–	(1,199)	–	(3,428)	124,831	308,060	–	308,060
– Community land	210,800	–	210,800	1,026	–	–	–	1,796	23,712	237,335	–	237,335
– Land under roads (pre 1/7/08)	149,433	–	149,433	–	–	–	–	–	–	–	–	–
– Land under roads (post 30/6/08)	12,499	–	12,499	410	–	–	–	–	18,020	180,362	–	180,362
Land improvements – depreciable	43,508	(12,252)	31,256	4,030	870	–	(2,841)	1,700	–	50,108	(15,097)	35,011
Infrastructure:												
– Buildings	306,280	(87,809)	218,471	8,073	8,252	(3,004)	(7,393)	2,166	81,393	487,234	(179,270)	307,964
– Roads	1,359,144	(456,387)	902,757	13,656	15,674	–	(21,786)	174	35,405	1,456,243	(510,361)	945,882
– Stormwater drainage	763,706	(234,941)	528,765	6,546	1,036	–	(7,620)	21	41,829	832,378	(261,801)	570,577
– Other open space/recreational assets	18,945	(3,698)	15,247	4,150	1,407	–	(1,279)	134	2,581	28,324	(6,088)	22,236
– Other Structure	896	(271)	625	214	–	–	(61)	–	115	1,270	(377)	893
Other assets:												
– Library books	12,096	(10,365)	1,731	445	–	(33)	(410)	–	–	12,456	(10,723)	1,733
– Other	5,957	(506)	5,451	–	–	–	(24)	–	47	6,004	(530)	5,474
Total infrastructure, property, plant and equipment	3,195,872	(867,827)	2,328,045	69,002	27,832	(5,661)	(47,126)	–	329,938	3,751,979	(1,049,948)	2,702,031

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

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions New Assets ¹	Additions Renewals/ Upgrade Assets	Carrying value of disposals	Depreciation expense	WIP Transfer/ Reclass	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	4,112	–	4,112	8,846	–	–	–	(1,756)	–	11,202	–	11,202
Plant and equipment	37,352	(21,414)	15,938	6,765	844	(1,418)	(2,540)	–	–	41,200	(21,611)	19,589
Office equipment	40,353	(30,230)	10,123	981	263	–	(1,674)	–	–	41,597	(31,904)	9,693
Furniture and fittings	12,623	(7,292)	5,331	17	–	–	(791)	107	–	12,747	(8,083)	4,664
Land:												
– Operational land	179,412	–	179,412	–	–	(316)	–	7,725	979	187,800	–	187,800
– Community land	193,881	–	193,881	2,120	–	–	–	(10,856)	25,655	210,800	–	210,800
– Crown land	19,308	–	19,308	–	–	–	–	1,371	(2,617)	18,062	–	18,062
– Land under roads (pre 1/7/08)	106,289	–	106,289	–	–	–	–	–	43,144	149,433	–	149,433
– Land under roads (post 30/6/08)	8,996	–	8,996	516	–	–	–	–	2,987	12,499	–	12,499
Land improvements – depreciable	41,708	(9,548)	32,160	451	225	–	(2,704)	1,124	–	43,508	(12,252)	31,256
Infrastructure:												
– Buildings	296,168	(81,116)	215,052	1,231	11,234	(583)	(7,104)	(1,359)	–	306,280	(87,809)	218,471
– Roads	1,316,505	(447,928)	868,577	16,189	13,007	–	(20,945)	3,649	22,280	1,359,144	(456,387)	902,757
– Bulk earthworks (non-depreciable)	3,360	–	3,360	–	–	–	–	(3,360)	–	–	–	–
– Stormwater drainage	743,606	(217,690)	525,916	8,698	1,361	–	(7,210)	–	–	763,706	(234,941)	528,765
– Other open space/recreational assets	9,899	(3,012)	6,887	4,928	4,029	–	(687)	90	–	18,945	(3,698)	15,247
– Other infrastructure	883	(214)	669	13	–	–	(57)	–	–	896	(271)	625
Other assets:												
– Library books	12,092	(10,491)	1,601	599	–	(57)	(412)	–	–	12,096	(10,365)	1,731
– Other	5,903	(483)	5,420	36	19	–	(24)	–	–	5,957	(506)	5,451
Total infrastructure, property, plant and equipment	3,032,450	(829,418)	2,203,032	51,390	30,982	(2,374)	(44,148)	(3,265)	92,428	3,195,872	(867,827)	2,328,045

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

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

Accounting policy

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed 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 asset 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 and Bulk Earthworks are not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values where relevant, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	15	Benches, seats etc.	15
Computer equipment	4		
Vehicles	5	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Transportation assets		Stormwater assets	
Roads Structure	100	Drains	100
Roads Pavement	30	Culverts	100
Bridges	40 to 80	Flood control structures	100
		Stormwater Pipes	100
		Other infrastructure assets	
		Swimming pools	50
		Unsealed roads	20
		Other open space/recreational assets	20
		Other infrastructure	20

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 to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

Crown reserves

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.

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements and are recorded within the relevant classes.

C1-9 Investment properties

\$ '000	2022	2021
Owned investment property		
Investment property on hand at fair value	43,001	40,186
Total owned investment property	43,001	40,186

Owned investment property

At fair value

Opening balance at 1 July	40,186	39,457
Capitalised subsequent expenditure	1,526	336
Net gain/(loss) from fair value adjustments	1,289	393
Closing balance at 30 June	43,001	40,186

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 part of other income. Deposits of Investment Property not settled in the current financial year are recorded as a prepayment in Note C1-11 Other

C1-10 Intangible assets

Intangible assets are as follows:

\$ '000	2022	2021
Software		
Opening values at 1 July		
Gross book value	1,181	1,024
Accumulated amortisation	(625)	(562)
Net book value – opening balance	556	462
Movements for the year		
Purchases	–	156
Amortisation charges	(70)	(62)
Closing values at 30 June		
Gross book value	1,181	1,181
Accumulated amortisation	(695)	(625)
Total intangible assets – net book value	486	556

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.

C1-11 Other

Other assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Prepayments	8,012	–	2,101	5,000
Refundable bonds paid by Council	4,865	–	4,995	–
Total other assets	12,877	–	7,096	5,000

Accounting policy

Deposits of Investment Property not settled in the current financial year are recorded as a prepayment.

C2 Leasing activities

C2-1 Council as a lessee

Office and other equipment

Leases for office and other equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 4 and 5 years, the payments are fixed, however some of the leases include variable payments based on usage.

(a) Right of use assets

\$ '000	Plant & Equipment	Total
2022		
Opening balance at 1 July	132	132
Additions to right-of-use assets	12	12
Depreciation charge	(75)	(75)
Balance at 30 June	69	69
2021		
Opening balance at 1 July	201	201
Additions to right-of-use assets	7	7
Depreciation charge	(76)	(76)
Balance at 30 June	132	132

(b) Lease liabilities

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities	47	21	72	59
Total lease liabilities	47	21	72	59

(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	46	22	–	68	68
2021					
Cash flows	72	59	–	131	131

C2-1 Council as a lessee (continued)

(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	3	4
Depreciation of right of use assets	75	76
Expenses relating to low-value leases	154	155
	232	235

(e) Statement of Cash Flows

Total cash outflow for leases	231	230
	231	230

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-9)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-8).

\$ '000	Notes	2022	2021
Operating lease expenses			
Direct operating expenses that generated rental income		3,654	3,297
Direct operating expenses that did not generate rental income		64	24
Total expenses relating to operating leases		3,718	3,321

(i) Assets held as investment property

Investment property operating leases relate to a number of commercial and residential premises.

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

Lease income (excluding variable lease payments not dependent on an index or rate)		1,555	1,809
Lease income relating to variable lease payments not dependent on an index or a rate		146	45
Total income relating to operating leases for investment property assets	B2-6	1,701	1,854

Repairs and maintenance: investment property

Refer to Note G2-1 Commitments for disclosure relating to any capital and service obligations that have been contracted.

(ii) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)		1,800	1,439
Lease income relating to variable lease payments not dependent on an index or a rate		273	1,274
Total income relating to operating leases for Council assets	B2-6	2,073	2,713

Amount of IPPE leased out by Council under operating leases

Land	C1-8	69,733	40,527
Buildings	C1-8	10,224	8,447
Motor Vehicles	C1-8	5,857	5,451
Total amount of IPPE leased out by Council under operating leases		85,814	54,425

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

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

< 1 year	1,670	1,449
1–2 years	1,720	1,305
2–3 years	1,772	1,208
3–4 years	1,826	507
4–5 years	1,882	295
> 5 years	752	591

C2-2 Council as a lessor (continued)

\$ '000	2022	2021
Total undiscounted lease payments to be received	9,622	5,355

Accounting policy

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

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

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

The lease income is recognised on a straight-line basis over the lease term for an operating lease and as finance income using amortised cost basis for finance leases.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Government departments and agencies	352	–	347	–
Prepaid rates	3,550	–	3,066	–
Goods and services	6,313	–	6,523	–
Accrued expenses:				
– Salaries and wages	2,012	–	48	–
– Other expenditure accruals	11,111	–	7,725	–
Security bonds, deposits and retentions	18,549	–	16,799	–
Other	114	–	115	–
Total payables	42,001	–	34,623	–

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	14,054	8,287
Total payables	14,054	8,287

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Funds to construct Council controlled assets	(i)	40,089	-	13,291	-
Funds received prior to performance obligations being satisfied (upfront payments) - AASB 15	(ii)	883	-	1,014	-
Deposits received in advance of services provided		472	-	367	-
Upfront fees	(iii)	4,855	-	5,579	-
Total contract liabilities		46,299	-	20,251	-

Notes

(i) Council has received funding to construct assets including sporting facilities, open space recreation 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 and contributions received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

(iii) User fees and charges received in advance include Development Applications and Inspection Fees which have been assessed as AASB 15 Contract with a Customer are recorded as a contract liability and recognised as revenue once the performance obligations have been met.

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

\$ '000	2022	2021
Funds to construct Council controlled assets	7,852	2,027
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	1,578	70
Deposits received in advance of services provided	794	317
Upfront fees	679	1,167
Total revenue recognised that was included in the contract liability balance at the beginning of the period	10,903	3,581

Significant changes in contract liabilities

Funds to construct Council controlled assets has increased compared to last financial year due to Government grants for programs such as Local Roads and Community Infrastructure Program Round 2 and Penrith Sporting Infrastructure Projects.

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	6,526	36,654	6,429	19,359
Total borrowings	6,526	36,654	6,429	19,359

(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 Note E.

(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	25,788	17,392	–	–	–	–	43,180
Lease liabilities (Note C2-1b)	131	(63)	–	–	–	–	68
Total liabilities from financing activities	25,919	17,329	–	–	–	–	43,248

\$ '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	34,208	(8,420)	–	–	–	–	25,788
Lease liability (Note C2-1b)	199	(68)	–	–	–	–	131
Total liabilities from financing activities	34,407	(8,488)	–	–	–	–	25,919

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	500	510
Credit cards/purchase cards	550	550
Total financing arrangements	1,050	1,060
Undrawn facilities		
– Bank overdraft facilities	500	510
– Credit cards/purchase cards	550	550
Total undrawn financing arrangements	1,050	1,060

(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.

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	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	11,844	–	10,272	–
Sick leave	4,783	–	5,039	–
Long service leave	20,351	1,262	21,169	1,250
Gratuities	–	–	216	–
Total employee benefit provisions	36,978	1,262	36,696	1,250

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 – employee benefits	27,327	27,791
	27,327	27,791

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.

C3-5 Provisions

\$ '000	2022	2022	2021	2021
	Current	Non-Current	Current	Non-Current
Other provisions				
Self insurance – public liability	725	–	533	–
Other	–	–	1,270	–
Sub-total – other provisions	725	–	1,803	–
Total provisions	725	–	1,803	–

Description of and movements in provisions

\$ '000	Other provisions		Net carrying amount
	Self insurance	Other	
2022			
At beginning of year	533	1,270	1,803
Additional provisions	192	–	192
Amounts used (payments)	–	(1,270)	(1,270)
Total other provisions at end of year	725	–	725
2021			
At beginning of year	872	–	872
Additional provisions	–	1,270	1,270
Amounts used (payments)	(252)	–	(252)
Other	(87)	–	(87)
Total other provisions at end of year	533	1,270	1,803

Accounting policy

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

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

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

Self-insurance

Council self-insures, to defined limits, for various risks, including public liability and professional indemnity, through its membership of the Local Government insurance pool CivicRisk Mutual. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note C1-3(b).

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Interests in other entities

D1-1 Subsidiaries

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described below.

Council's consolidated financial statements also include controlled entities with ownership interest of 50% or less.

Name of Operation/Entity	Principal activity
Penrith Aquatic and Leisure Ltd	Pools and Gym Ripples in Penrith and St Marys

Interests in Subsidiary	Ownership 2022	Ownership 2021	Voting rights 2022	Voting rights 2021
Council's interest in Subsidiary	100%	100%	100%	100%

The nature of risks associated with Council's interests in the Subsidiary

Ripples operations transitioned from a wholly owned subsidiary to a separate business unit under Council during the 2019-20 financial year. All financial results are now under Note B1-1 Council Functions and Activities.

The Penrith Aquatic and Leisure Ltd continues to be a wholly owned company of Council without any operation results.

D1-1 Subsidiaries (continued)

Name of Operation/Entity

Name of Operation/Entity	Principal activity
--------------------------	--------------------

Penrith Performing and Visual Arts Ltd (PPVA)	Cultural Penrith
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Interests in Subsidiary	Ownership 2022	Ownership 2021	Voting rights 2022	Voting rights 2021
Council's interest in Subsidiary	100%	100%	100%	100%

The nature of risks associated with Council's interests in the Subsidiary

Council provided PPVA an amount of \$2,282m in subsidies during 2021-22. This subsidy is proposed to be \$2,302m in 2022-23.

Council will underwrite the operation of the PPVA for a period of 36 months from 1 July 2020 until 30 June 2023.

Summarised financial information for the Subsidiary

\$ '000	2022	2021
Summarised statement of comprehensive income		
Revenue	1,241	1,418
Expenses	(4,147)	(3,272)
Profit for the period	(2,906)	(1,854)
Total comprehensive income	(2,906)	(1,854)
Summarised statement of financial position		
Current assets	1,812	2,277
Non-current assets	2,055	2,071
Total assets	3,867	4,348
Current liabilities	868	1,433
Non-current liabilities	212	188
Total liabilities	1,080	1,621
Net assets	2,787	2,727
Summarised statement of cash flows		
Cash flows from operating activities	(410)	1,025
Cash flows from investing activities	(45)	(53)
Net increase (decrease) in cash and cash equivalents	(455)	972

D1-1 Subsidiaries (continued)

Name of Operation/Entity

Name of Operation/Entity	Principal activity
Penrith Whitewater Stadium Ltd (PWS)	Management of Whitewater Stadium, Rafting & Leisure Cranebrook

Interests in Subsidiary	Ownership 2022	Ownership 2021	Voting rights 2022	Voting rights 2021
Council's interest in Subsidiary	100%	100%	100%	100%

The nature of risks associated with Council's interests in the Subsidiary

The subsidy by Council is proposed to be \$570,000 in 2022-23.

Council will underwrite the operation of the PWS for a period of 36 months from 1 July 2020 until 30 June 2023.

Summarised financial information for the Subsidiary

\$ '000	2022	2021
Summarised statement of comprehensive income		
Revenue	460	587
Expenses	(960)	(741)
Profit for the period	(500)	(154)
Total comprehensive income	(500)	(154)
Summarised statement of financial position		
Current assets	394	778
Non-current assets	655	688
Total assets	1,049	1,466
Current liabilities	578	516
Total liabilities	578	516
Net assets	471	950
Summarised statement of cash flows		
Cash flows from operating activities	(338)	584
Cash flows from investing activities	(38)	(24)
Cash flows from financing activities	(3)	(4)
Net increase (decrease) in cash and cash equivalents	(379)	556

D1-1 Subsidiaries (continued)

Accounting policy for subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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 held-to-maturity 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) **'available-for-sale'** – 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 officers 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 the 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.

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

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
<p>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.</p>		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	2,214	1,570
Impact of a 10% movement in price of investments		
– Equity / Income Statement	144	151

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

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

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 quarterly and benchmarks are set and monitored for acceptable collection performance.

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue rates and annual charges			Total
	overdue	< 5 years	≥ 5 years	
2022				
Gross carrying amount	2,698	7,501	876	11,075
2021				
Gross carrying amount	2,183	6,377	783	9,343

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	9,292	21,244	416	645	2,626	34,223
Expected loss rate (%)	0.00%	0.08%	35.79%	49.97%	56.14%	5.73%
ECL provision	–	17	149	322	1,474	1,962
2021						
Gross carrying amount	13,851	88	450	38	584	15,011
Expected loss rate (%)	0.00%	0.87%	7.59%	16.42%	75.12%	3.20%
ECL provision	–	1	34	6	439	480

E1-1 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:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2022							
Payables	0.00%	18,549	–	–	–	18,549	42,001
Borrowings	2.99%	–	7,758	51,546	90,320	149,624	43,180
Total financial liabilities		18,549	7,758	51,546	90,320	168,173	85,181
2021							
Payables	0.00%	16,799	–	–	–	16,799	34,623
Borrowings	2.75%	–	7,083	42,173	89,606	138,862	25,788
Total financial liabilities		16,799	7,083	42,173	89,606	155,661	60,411

Loan agreement breaches

There have not been any breaches to loan agreements which have occurred during the reporting year.

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- 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	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021
Recurring fair value measurements							
Financial investments	C1-2						
At fair value through profit or loss		27,804	19,724	–	–	27,804	19,724
Investment property	C1-9						
Land and buildings		43,001	40,186	–	–	43,001	40,186
Infrastructure, property, plant and equipment	C1-8						
Plant and equipment		–	–	19,898	19,589	19,898	19,589
Office equipment		–	–	8,994	9,693	8,994	9,693
Furniture and fittings		–	–	3,942	4,664	3,942	4,664
Crown Land		–	–	20,066	18,062	20,066	18,062
Operating land		–	–	308,060	187,800	308,060	187,800
Community land		–	–	237,335	210,800	237,335	210,800
Land under roads		–	–	180,362	161,932	180,362	161,932
Land improvements		–	–	35,011	31,256	35,011	31,256
Buildings		–	–	307,964	218,471	307,964	218,471
Roads, bridges, footpaths		–	–	945,881	902,757	945,881	902,757
Stormwater drainage		–	–	570,577	528,765	570,577	528,765
Other Open Space/Recreational Assets		–	–	22,236	15,247	22,236	15,247
Other Infrastructure		–	–	893	625	893	625
Library books		–	–	1,733	1,731	1,733	1,731
Other		–	–	5,474	5,451	5,474	5,451
Total infrastructure, property, plant and equipment		–	–	2,668,426	2,316,843	2,668,426	2,316,843

Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

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:

E2-1 Fair value measurement (continued)

Class	Valuation technique(s)	Unobservable Inputs
Financial Assets	Valuation obtained by registered valuer and Actuary using income approach	Face value, expected future cash flows

Class	Valuation technique(s)	Unobservable Inputs
Investment Properties	Valuation obtained by registered valuer	Land value, land area, building condition

Infrastructure, property, plant and equipment (IPPE)

Class	Valuation technique(s)	Unobservable Inputs
Plant & Equipment, Office Equipment, Furniture & Fittings	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Operational Land	Market-based direct comparison	Land value, land area, restrictions over use
Community Land	Land values obtained from the NSW Valuer-General	Land value, land area, restrictions over use
Crown Land	Land Values obtained from the NSW Valuer-General	Land Value, Land area, restrictions, over use
Land Under Roads	Unit rate based on Valuer-General average m2 price less Englobo discounting methodology	Extent and impact of use, market cost of land per square metre. The market value of land varies significantly depending on the location of the land and current market conditions.
Land Improvements – Depreciable	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value
Buildings	Market-based direct comparison	Asset condition, remaining lives
Roads	Unit rates per m2 or length	Asset condition, remaining lives
Stormwater Drainage	Unit rates per m2 or length	Asset condition, remaining lives
Other Open Space/ Recreational Assets	Cost Approach	Asset condition, remaining lives
Library Books	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value

E3-1 Contingencies

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure are 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, named The Local Government Superannuation Scheme – 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 service 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 future service employer contribution rates are:

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 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 past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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.

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

E3-1 Contingencies (continued)

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 \$1,052,311.35. The last valuation of the Scheme was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2021.

Council's expected contribution to the plan for the next annual reporting period is \$775,889.28.

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 other accumulation accounts and reserves in both assets and liabilities.

The share of any funding surplus or deficit that can be attributed to Council is 1.89%.

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.

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed by December 2022.

An employer's additional lump sum contribution per annum as a percentage of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2019 to 31 December 2021 and \$20m for each year from 1 January 2022 to 31 December 2024) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

(ii) CivicRisk Mutual and CivicRisk West

Council is a member of CivicRisk Mutual Ltd, a mutual self-insurance scheme providing general insurance to local government.

CivicRisk Mutual Ltd membership includes the potential to share in either the net surplus or deficit of protection years depending on its past performance. Council's share of the net surplus or deficit 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) Loan Guarantor

At Council meeting 27 July 2020, Council has guaranteed a loan application of \$500,000 to Penrith Valley Regional Sports Stadium for a maximum term of 10 years. The loan financed building improvements on land leased to Penrith Sports Stadium Ltd by Council until 10 October 2087. This is in addition to an existing loan guarantee for \$40,000 for a total of \$540,000.

E3-1 Contingencies (continued)

(iv) Bank Guarantee

Council has provided two bank guarantees to the value of \$7,603.40 to the Department of Education for two Out of School Hours facilities in Public Schools.

- Department of Education \$3,801.70
- Department of Education \$3,801.70

(v) Other guarantees

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

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.

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

(iii) Asset Impairment

Infrastructure assets comprising of roads, footpaths, bridges and stormwater drainage within identified parts of Jordan Springs East and Glenmore Park have experienced settlement. These assets are currently valued at \$44.7m and \$2.7m respectively. Localised repairs to assets include pavement rehabilitation and minor repairs to footpaths and kerb and gutter at the expense of the developer. Reports and geotechnical assessments will be conducted to ascertain the useful lives and future maintenance and asset renewal costs for these assets. There is significant uncertainty at this time for Council to estimate the useful lives or any future liabilities in relation to these assets.

ASSETS NOT RECOGNISED

(iv) 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.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2022	2021
Compensation:		
Short-term benefits (including annual leave)	2,819	2,726
Other long-term benefits	425	108
Total	3,244	2,834

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

Other transactions with KMP and their related parties

Pre-amble

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

Nature of the transaction	Ref	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000						
2022						
Contribution to Civic Risk Mutual	1	2,788	–	30-day terms on invoices	–	–
Loan provided to Penrith Valley Regional Sports Centre	2	1,200	–		–	–
Debt Guarantee for Penrith Valley Regional Sports Centre	3	500	–		–	–
2021						
Contribution to Civic Risk Mutual	1	770	–	30-day terms on invoices	–	–
Loan provided to Penrith Valley Regional Sports Centre	2	1,200	–		–	–
Debt Guarantee for Penrith Valley Regional Sports Centre	3	500	–		–	–

1 Council has a vested interest in Civic Risk Mutual who also insures Council.

2 Council has loaned Penrith Valley Regional Sports Centre Limited a facility amount that can be drawn down, repayment commences on 1st July 2021 on a monthly basis.

3 Council guaranteed a loan application to Penrith Valley Regional Sports Centre to finance building improvements on land leased to Penrith Sports Stadium Pty Ltd by Council until 10 October 2087.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	80	87
Councillors' fees	446	458
– Telephone and internet services	23	27
– Training, conferences and seminars	47	26
– Other	18	3
Total	614	601

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
Audit and other assurance services: Auditors of NSW Council – NSW Auditor-General:		
Audit and review of financial statements	149	141
Total fees paid or payable to the Auditor-General	149	141

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
Net operating result from Income Statement	79,053	24,790
Add / (less) non-cash items:		
Depreciation and amortisation	47,271	44,286
(Gain) / loss on disposal of assets	(10,721)	(1,954)
Non-cash capital grants and contributions	(24,655)	(19,072)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	239	(260)
– Investment property	(1,289)	(393)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(1,861)	(3,256)
Increase / (decrease) in provision for impairment of receivables	597	748
(Increase) / decrease of inventories	(217)	113
(Increase) / decrease of other current assets	(781)	(3,631)
(Increase) / decrease of contract asset	(19,021)	(2,083)
Increase / (decrease) in payables	(210)	76
Increase / (decrease) in other accrued expenses payable	5,350	822
Increase / (decrease) in other liabilities	2,238	1,952
Increase / (decrease) in contract liabilities	26,048	9,790
Increase / (decrease) in employee benefit provision	294	2,397
Increase / (decrease) in other provisions	(1,078)	931
Net cash flows from operating activities	101,257	55,256

(b) Non-cash investing and financing activities

Developer contributions ‘in kind’	24,655	19,072
Total non-cash investing and financing activities	24,655	19,072

G2-1 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	12,920	6,367
Plant and equipment	3,834	2,733
Roadworks	3,420	6,641
Other	49,220	16,647
Investment property		
– Land	45,000	45,000
– Buildings	594	728
Total commitments	114,988	78,116
These expenditures are payable as follows:		
Within the next year	113,469	31,224
Later than one year and not later than 5 years	1,519	46,892
Total payable	114,988	78,116
Sources for funding of capital commitments:		
Unrestricted general funds	114,988	78,116
Total sources of funding	114,988	78,116

Details of capital commitments

Council has committed to the capital expenditures on the following major projects:

- Bill Ball (Cook Park) Oval Upgrade
- Ched Towns Amenity Renewal & Upgrade
- Doug Rennie Amenities redevelopment
- Emu Plains Regatta Park Kiosk
- Gipps Street Recreation Precinct
- Harold Corr Synthetic Track Upgrade
- Hickeys Lane Amenities Renewal
- Parker Street Sporting Field Upgrades
- Plant & Equipment Procurement
- Purchase of 158-164 Old Bathurst Road, Emu Plains
- Regatta Park Stage 1
- Soper Place Multi Deck Carpark
- St Marys Hall Network Upgrades
- The Police Cottage

G3-1 Events occurring after the reporting date

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

G4 Changes from prior year statements

G4-1 Changes in accounting policy

Voluntary changes in accounting policies

After further review of the Australian Accounting Standards it has been determined that all of Penrith City Council's Security Bonds, Deposits and Retentions are to be classified as Current as we do not have the right at the end of the reporting period to defer settlement of the liability. This is consistent with AASB 101 69(d) which states "An entity shall classify a liability as current when it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period."

Liabilities previously classified as Non-Current were Security Bonds held by various departments where the liability was not expected to be settled within twelve months from the reporting period.

These liabilities are expected to be settled once specific conditions have been met and where Council does not have the right to hold back the release of these bonds for a period greater than 12 months, therefore these will be classified as Current.

The above change in accounting policy had an immaterial impact on the Statement of Financial Position at 1 July, 2020.

Adjustments to the comparative figures for the year ended 30 June 2021

Statement of Financial Position

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Security bonds, deposits and retentions	8,512	8,287	16,799
Total current liabilities	8,512	8,287	16,799
Security bonds, deposits and retentions	8,287	(8,287)	–
Total non-current liabilities	8,287	(8,287)	–
Total liabilities	16,799	–	16,799
Net assets	(16,799)	–	(16,799)
Total equity	(16,799)	–	(16,799)

G5 Statement of developer contributions as at 30 June 2022

G5-1 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					
Drainage	591	1,390	–	(2)	(3,455)	2,048	571	5,640
Roads	4,081	228	–	8	485	(28)	4,773	2,261
Open space	44,079	5,060	1,726	301	(3,316)	133	46,258	(3,997)
Community facilities	668	339	–	7	970	(133)	1,851	(1,093)
Other	314	1,345	–	6	788	(2,020)	434	(2,811)
S7.11 contributions – under a plan	49,733	8,362	1,726	320	(4,528)	–	53,887	–
S7.12 levies – under a plan	577	2,801	–	16	–	–	3,394	–
Total S7.11 and S7.12 revenue under plans	50,310	11,163	1,726	336	(4,528)	–	57,281	–
S7.4 planning agreements	68	57	–	1	–	–	126	–
Total contributions	50,378	11,220	1,726	337	(4,528)	–	57,407	–

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.

G5-2 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					
Claremont Meadows								
Drainage	–	1,390	–	(9)	(3,455)	2,075	–	6,063
Roads	–	148	–	3	485	–	636	(652)
Open space	–	897	–	2	(488)	–	412	(323)
Community facilities	–	81	–	5	970	–	1,056	(1,616)
Other	–	993	–	10	1,206	(2,075)	134	(3,472)
Total	–	3,509	–	11	(1,282)	–	2,238	–
Cultural Facilities								
Other	–	290	–	–	(290)	–	–	–
Total	–	290	–	–	(290)	–	–	–
Erskine Business Park								
Drainage	591	–	–	7	–	(27)	571	(576)
Roads	–	–	–	(2)	–	2	–	290
Other	–	–	–	(2)	(24)	25	–	286
Total	591	–	–	3	(24)	–	571	–
Glenmore Park Stage 2								
Roads	–	6	–	–	–	–	6	(69)
Open space	–	188	1,726	3	(324)	133	–	(454)
Community facilities	101	121	–	(2)	–	(133)	87	523
Other	16	16	–	–	(22)	–	10	–
Total	117	331	1,726	1	(346)	–	103	–

G5-2 Developer contributions by plan (continued)

\$ '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					
Lambridge Estate								
Drainage	–	–	–	–	–	–	–	150
Roads	–	–	–	–	–	–	–	2
Open space	–	–	–	–	–	–	–	(152)
Total	–	–	–	–	–	–	–	–
Penrith City District Open Space								
Open space	38,033	2,322	–	235	(1,791)	–	38,799	(116)
Other	201	23	–	–	(29)	–	195	116
Total	38,234	2,345	–	235	(1,820)	–	38,994	–
Penrith City Local Open Space								
Open space	3,271	561	–	20	(483)	–	3,369	(2)
Other	57	5	–	–	(4)	–	58	2
Total	3,328	566	–	20	(487)	–	3,427	–
Waterside								
Roads	27	–	–	–	–	–	27	12
Open space	175	–	–	1	–	–	176	(12)
Other	40	–	–	–	(3)	–	37	–
Total	242	–	–	1	(3)	–	240	–
Werrington Enterprise Living and Learning (WELL)								
Drainage	–	–	–	–	–	–	–	3
Roads	4,054	74	–	7	–	(30)	4,104	2,678
Open space	2,600	1,092	–	40	(230)	–	3,502	(2,938)
Community facilities	567	137	–	4	–	–	708	–
Other	–	18	–	(2)	(46)	30	–	257
Total	7,221	1,321	–	49	(276)	–	8,314	–

G5-2 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					
Citywide Non-Residential Development								
Other	577	2,801	–	16	–	–	3,394	–
Total	577	2,801	–	16	–	–	3,394	–

G5-3 S7.4 planning agreements

Planning Agreements

Other	68	57	–	1	–	–	126	–
Total	68	57	–	1	–	–	126	–

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts	Indicator	Indicators		Benchmark
	2022	2022	2021	2020	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(3,433)	(1.30)%	(8.08)%	(0.32)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	263,112				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	227,358	68.08%	74.34%	77.37%	> 60.00%
Total continuing operating revenue ¹	333,952				
3. Unrestricted current ratio					
Current assets less all external restrictions ³	143,549	1.57x	2.07x	2.45x	> 1.50x
Current liabilities less specific purpose liabilities	91,271				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	44,782	5.87x	2.62x	2.67x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7,627				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	9,839	5.20%	4.68%	4.12%	< 5.00%
Rates and annual charges collectable	189,084				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	193,385	10.24	6.81	7.54	> 3.00
Monthly payments from cash flow of operating and financing activities	18,885	mths	mths	mths	mths

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method 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

(3) Prior year Current Liabilities has been restated due to estimate adjustment - refer Note G4-1

Penrith City Council

DRAFT SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

*Our regional city is inclusive and prosperous and offers the
best in urban living and a sustainable rural environment*

PENRITH
CITY COUNCIL

Penrith City Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Penrith 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.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 26 September 2022.

Clr Tricia Hitchen
Mayor
26 September 2022

Clr John Thain
Deputy Mayor
26 September 2022

Warwick Winn
General Manager
26 September 2022

Andrew Moore
Responsible Accounting Officer
26 September 2022

Penrith City Council

Income Statement of Children's Services

for the year ended 30 June 2022

\$ '000	Notes	2022 Category 1	2021 Category 1
Income from continuing operations			
User charges ¹	B2-2	24,200	23,474
Grants and contributions provided for operating purposes ¹		6,129	1,521
Other income		–	223
Total income from continuing operations		30,329	25,218
Expenses from continuing operations			
Employee benefits and on-costs		25,828	23,502
Materials and services		4,236	1,089
Calculated taxation equivalents		1,267	1,082
Debt guarantee fee (if applicable)		1,629	679
Imputed rental		621	259
Other expenses		456	1,272
Total expenses from continuing operations		34,037	27,883
Surplus (deficit) from continuing operations before capital amounts		(3,708)	(2,665)
Surplus (deficit) from continuing operations after capital amounts		(3,708)	(2,665)
Surplus (deficit) from all operations before tax		(3,708)	(2,665)
Surplus (deficit) after tax		(3,708)	(2,665)
Plus accumulated surplus		1,064	1,483
Plus adjustments for amounts unpaid:			
– Taxation equivalent payments		1,267	1,082
– Debt guarantee fees		1,629	679
– Imputed Rental		621	259
Add:			
– Subsidy paid/contribution to operations		487	226
Closing accumulated surplus		1,360	1,064
Subsidy from Council		3,708	2,665

(1) User charges for prior year amended to reflect prior year B2-2 User charges and fees

Penrith City Council

Income Statement of Property Development

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges ¹	2	4
Interest and investment income	93	91
Other Income ¹	2,836	3,713
Net gain from the disposal of assets	–	2,184
Total income from continuing operations	2,931	5,992
Expenses from continuing operations		
Employee benefits and on-costs	2,291	1,981
Materials and services	1,204	1,720
Depreciation, amortisation and impairment	172	164
Calculated taxation equivalents	1,405	1,412
Debt guarantee fee (if applicable)	10	12
Other expenses	378	597
Total expenses from continuing operations	5,460	5,886
Surplus (deficit) from continuing operations before capital amounts	(2,529)	106
Surplus (deficit) from continuing operations after capital amounts	(2,529)	106
Surplus (deficit) from all operations before tax	(2,529)	106
Less: corporate taxation equivalent (25%) [based on result before capital]	–	(28)
Surplus (deficit) after tax	(2,529)	78
Plus accumulated surplus	104,164	102,006
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1,405	1,412
– Debt guarantee fees	10	12
– Subsidy paid/contribution to operations	8,147	656
Less:		
Closing accumulated surplus	111,197	104,164
Return on capital %	(2.9)%	0.1%
Subsidy from Council	5,768	1,266

(1) Rental income for prior year separated between user charges and other income

Penrith City Council

Income Statement of Penrith Whitewater Stadium

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	460	587
Total income from continuing operations	460	587
Expenses from continuing operations		
Employee benefits and on-costs	604	418
Materials and services	269	232
Depreciation, amortisation and impairment	86	91
Total expenses from continuing operations	959	741
Surplus (deficit) from continuing operations before capital amounts	(499)	(154)
Surplus (deficit) from continuing operations after capital amounts	(499)	(154)
Surplus (deficit) from all operations before tax	(499)	(154)
Surplus (deficit) after tax	(499)	(154)
Plus accumulated surplus	950	554
Add:		
– Subsidy paid/contribution to operations	18	550
Closing accumulated surplus	469	950
Return on capital %	(77.7)%	(22.4)%
Subsidy from Council	522	164

Penrith City Council

Income Statement of Penrith Performing and Visual Arts Ltd

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	790	976
Interest and investment income	1	4
Grants and contributions provided for operating purposes	622	449
Other income	450	–
Total income from continuing operations	1,863	1,429
Expenses from continuing operations		
Employee benefits and on-costs	2,891	2,059
Materials and services	1,148	1,098
Depreciation, amortisation and impairment	108	119
Calculated taxation equivalents	92	42
Imputed rental	1,526	633
Other expenses	–	(5)
Total expenses from continuing operations	5,765	3,946
Surplus (deficit) from continuing operations before capital amounts	(3,902)	(2,517)
Surplus (deficit) from continuing operations after capital amounts	(3,902)	(2,517)
Surplus (deficit) from all operations before tax	(3,902)	(2,517)
Surplus (deficit) after tax	(3,902)	(2,517)
Plus accumulated surplus	2,734	2,295
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	92	42
– Imputed rental	1,526	633
Add:		
– Subsidy paid/contribution to operations	2,241	2,281
Closing accumulated surplus	2,691	2,734
Return on capital %	(191.6)%	(123.3)%
Subsidy from Council	3,977	2,547

Penrith City Council

Statement of Financial Position of Childrens' Services

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Investments	1,215	1,604
Receivables	341	99
Total current assets	1,556	1,703
Total assets	1,556	1,703
LIABILITIES		
Current liabilities		
Payables	196	639
Total current liabilities	196	639
Total liabilities	196	639
Net assets	1,360	1,064
EQUITY		
Accumulated surplus	1,360	1,064
Total equity	1,360	1,064

Penrith City Council

Statement of Financial Position of Property Development

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Investments	23,070	12,984
Other	2	23
Total current assets	23,072	13,007
Non-current assets		
Infrastructure, property, plant and equipment	88,498	92,062
Total non-current assets	88,498	92,062
Total assets	111,570	105,069
LIABILITIES		
Current liabilities		
Payables	89	110
Borrowings	86	495
Total current liabilities	175	605
Non-current liabilities		
Borrowings	198	300
Total non-current liabilities	198	300
Total liabilities	373	905
Net assets	111,197	104,164
EQUITY		
Accumulated surplus	38,293	39,407
Revaluation reserves	72,904	64,757
Total equity	111,197	104,164

Penrith City Council

Statement of Financial Position of Penrith Whitewater Stadium

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	217	597
Investments	161	161
Receivables	9	9
Inventories	6	11
Total current assets	393	778
Non-current assets		
Infrastructure, property, plant and equipment	642	688
Total non-current assets	642	688
Total assets	1,035	1,466
LIABILITIES		
Current liabilities		
Contract liabilities	146	109
Payables	21	40
Employee benefit provisions	399	367
Total current liabilities	566	516
Total liabilities	566	516
Net assets	469	950
EQUITY		
Accumulated surplus	469	950
Total equity	469	950

Penrith City Council

Statement of Financial Position of Penrith Performing and Visual Arts Ltd

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	880	1,836
Investments	874	373
Inventories	14	15
Other	44	47
Total current assets	1,812	2,271
Non-current assets		
Infrastructure, property, plant and equipment	2,037	2,041
Total non-current assets	2,037	2,041
Total assets	3,849	4,312
LIABILITIES		
Current liabilities		
Payables	267	387
Contract liabilities	510	862
Employee benefit provisions	177	160
Total current liabilities	954	1,409
Non-current liabilities		
Employee benefit provisions	204	169
Total non-current liabilities	204	169
Total liabilities	1,158	1,578
Net assets	2,691	2,734
EQUITY		
Accumulated surplus	2,691	2,734
Total equity	2,691	2,734

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).

Note – Significant Accounting Policies (continued)

Declared business activities

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

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

Name	Brief description of activity
Childcare	Council operates a number of children's centres and includes the transactions associated with these centres in its consolidated fund. The centres include 18 providing long day care services, 11 providing before and after school care services, 1 occasional care service and 5 preschool services. The Penrith City Children's Services Co-operative, established in January 2003, manages the Children's Centres (excluding the Glenmore Park Child & Family Centre) through a delegation under S377 of the Local Government Act 1993.
Property Development	The purchase, development, rental, and management of real estate. Almost all assets would have dual purposes of revenue generation and community service. Community service purposes include preventing inappropriate development, attracting business into the region and providing shopping facilities to new estates (when the population does not yet support profitable trading).

Category 2 – business activities with gross operating turnover less than \$2 million

Name	Brief description of activity
Penrith Performing and Visual Arts Limited	During 2006-07 the Penrith Regional Gallery and Lewers Bequest was joined with the Joan Sutherland Performing Arts Centre to be managed by a revised company structure named Penrith Performing and Visual Arts Limited. This new entity provides gallery, theatre, function and educational facilities. The centres organise activities and also provide for hire of venues. Many items, and in particular, the educational programs are community services. The venues are provided to community groups at a discounted rental. The business is a tenant and a market rental has been estimated.
Whitewater Stadium	Penrith Whitewater Stadium provides whitewater canoe slalom facilities for competition, training and recreation purposes.

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

	Notional rate applied (%)
Company income tax rate	25% (20/21 26%) Lower company tax rate for base rate entities under the \$50m threshold.
Land tax	The first \$822,000 of combined land values attracts 0%. For the combined land values in excess of \$822,001 up to \$5,026,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$5,026,000 a premium marginal rate of 2.0% applies.
Payroll tax	5.45% on the value of taxable salaries and wages in excess of \$1,200,000.

Income tax

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

Note – Significant Accounting Policies (continued)

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

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

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

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

The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

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

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.

Penrith City Council

Special Purpose Financial Statements

for the year ended 30 June 2022

Penrith City Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

*Our regional city is inclusive and prosperous and offers the
best in urban living and a sustainable rural environment*

PENRITH
CITY COUNCIL

Penrith City Council

Special Schedules

for the year ended 30 June 2022

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Penrith City Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	132,655	140,354
Plus or minus adjustments ²	b	4,728	2,301
Notional general income	c = a + b	137,383	142,655
Permissible income calculation			
Special variation percentage ³	d	0.00%	2.50%
Or rate peg percentage	e	2.00%	0.00%
Plus special variation amount	h = d x (c + g)	–	3,566
Or plus rate peg amount	i = e x (c + g)	2,748	–
Sub-total	k = (c + g + h + i + j)	140,131	146,221
Plus (or minus) last year's carry forward total	l	172	1
Less valuation objections claimed in the previous year	m	–	(52)
Sub-total	n = (l + m)	172	(51)
Total permissible income	o = k + n	140,303	146,170
Less notional general income yield	p	140,354	146,536
Catch-up or (excess) result	q = o – p	(52)	(366)
Plus income lost due to valuation objections claimed ⁴	r	52	367
Carry forward to next year ⁶	t = q + r + s	–	1

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (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.

Penrith City Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost		2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Buildings	Buildings	3,654	3,654	3,238	3,270	307,964	487,234	7.0%	74.0%	16.0%	3.0%	0.0%
	Sub-total	3,654	3,654	3,238	3,270	307,964	487,234	7.0%	74.0%	16.0%	3.0%	0.0%
Roads	Sealed roads	11,561	11,561	9,107	9,304	589,649	770,706	11.0%	54.0%	30.0%	4.0%	1.0%
	Unsealed roads	338	338	305	41	2,850	5,198	2.0%	20.0%	60.0%	10.0%	8.0%
	Bridges	4,403	4,403	3,007	–	42,881	76,582	46.0%	16.0%	15.0%	23.0%	0.0%
	Footpaths	405	405	1,031	109	90,692	162,002	29.0%	33.0%	37.0%	1.0%	0.0%
	Other road assets	14,357	14,357	5,000	253	219,810	441,753	40.0%	22.0%	28.0%	7.0%	3.0%
	Sub-total	31,064	31,064	18,450	9,707	945,882	1,456,241	23.6%	39.8%	29.5%	5.6%	1.5%
Stormwater drainage	Stormwater drainage	37,457	37,457	2,780	1,919	570,577	832,378	12.0%	33.0%	41.0%	10.0%	4.0%
	Sub-total	37,457	37,457	2,780	1,919	570,577	832,378	12.0%	33.0%	41.0%	10.0%	4.0%
Total – all assets		72,175	72,175	24,468	14,896	1,824,423	2,775,853	17.2%	43.8%	30.6%	6.5%	2.0%

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

Penrith 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	24,962	65.45%	72.38%	91.06%	>= 100.00%
Depreciation, amortisation and impairment	38,139				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	72,175	3.84%	1.68%	1.49%	< 2.00%
Net carrying amount of infrastructure assets	1,881,156				
Asset maintenance ratio					
Actual asset maintenance	14,896	60.88%	81.53%	104.24%	> 100.00%
Required asset maintenance	24,468				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	72,175	2.60%	1.15%	0.94%	
Gross replacement cost	2,775,853				

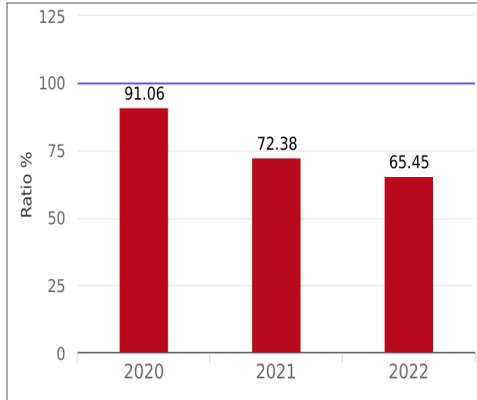
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Penrith 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	65.45%

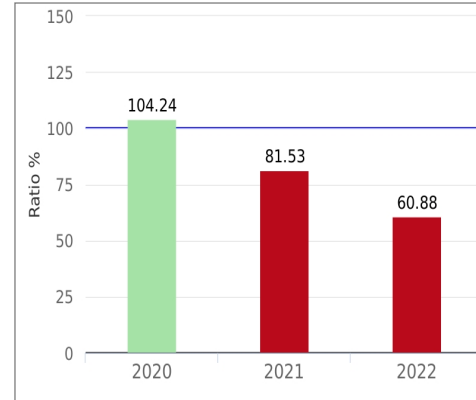
Benchmark: — $\geq 100.00\%$

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	60.88%

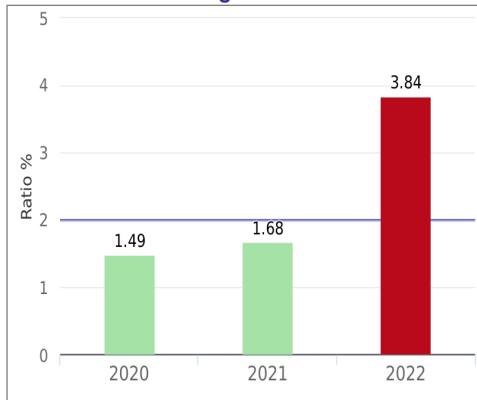
Benchmark: — $> 100.00\%$

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	3.84%

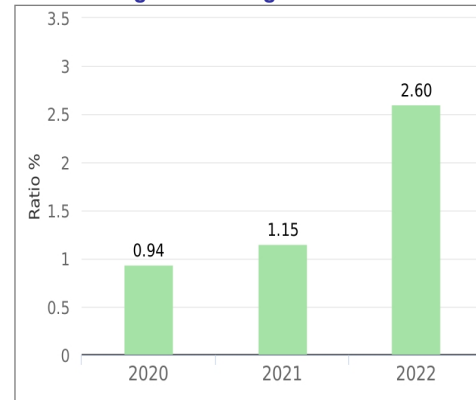
Benchmark: — $< 2.00\%$

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	2.60%