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FINANCIAL STATEMENTS

THIS DOCUMENT PROVIDES
AUDITED INFORMATION
ON COUNCIL'S FINANCIAL
ACTIVITIES IN OUR 150TH YEAR.



PENRITH
CITY COUNCIL

High Street
PENRITH

Circa. 1906

penrith.city

Penrith City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*A sustainable and prosperous Regional City with a harmony
of urban and rural qualities.*

PENRITH
CITY COUNCIL

General Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Statement by Councillors and Management	3
Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	91
On the Financial Statements (Sect 417 [3])	92

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 2021

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

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

- the *Local Government Act 1993* 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 25 October 2021.



Clr Karen McKeown OAM
Mayor
25 October 2021



Clr Tricia Hitchen
Deputy Mayor
25 October 2021



Warwick Winn
General Manager
25 October 2021



Andrew Moore
Responsible Accounting Officer
25 October 2021

Penrith City Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Restated Actual 2020
	Income from continuing operations			
173,279	Rates and annual charges	B2-1	173,364	165,451
39,706	User charges and fees	B2-2	37,567	37,469
1,917	Other revenue	B2-3	2,822	3,118
38,268	Grants and contributions provided for operating purposes	B2-4	33,209	36,133
26,694	Grants and contributions provided for capital purposes	B2-4	42,664	26,252
2,303	Interest and investment income	B2-5	1,747	3,296
4,498	Other income	B2-6	4,960	9,366
–	Net gains from the disposal of assets	B4-1	1,954	–
286,665	Total income from continuing operations		298,287	281,085
	Expenses from continuing operations			
118,559	Employee benefits and on-costs	B3-1	116,119	113,334
101,705	Materials and services	B3-2	100,858	95,928
1,262	Borrowing costs	B3-3	981	1,405
29,920	Depreciation, amortisation and impairment for non-financial assets	B3-4	44,286	30,548
8,955	Other expenses	B3-5	11,253	8,996
332	Net losses from the disposal of assets	B4-1	–	1,371
260,733	Total expenses from continuing operations		273,497	251,582
25,932	Operating result from continuing operations		24,790	29,503
25,932	Net operating result for the year attributable to Council		24,790	29,503
(762)	Net operating result for the year before grants and contributions provided for capital purposes		(17,874)	3,251

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

Penrith City Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	Restated 2020
Net operating result for the year – from Income Statement		24,790	29,503
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	92,428	305,865
Other comprehensive income – joint ventures and associates	D1-2	–	(8)
Total items which will not be reclassified subsequently to the operating result		92,428	305,857
Total other comprehensive income for the year		92,428	305,857
Total comprehensive income for the year attributable to Council		117,218	335,360

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 2021

\$ '000	Notes	2021	Restated 2020	Restated 1 July 2019 ¹
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	23,107	13,716	5,998
Investments	C1-2	105,167	89,768	152,200
Receivables	C1-4	13,232	12,589	15,445
Inventories	C1-5	518	631	738
Contract assets and contract cost assets	C1-6	5,728	3,645	—
Current assets classified as 'held for sale'	C1-7	3,265	—	—
Other	C1-11	7,096	8,465	3,287
Total current assets		158,113	128,814	177,668
Non-current assets				
Investments	C1-2	28,701	59,235	11,121
Receivables	C1-4	3,428	1,012	1,359
Infrastructure, property, plant and equipment	C1-8	2,328,045	2,203,032	1,880,393
Investment property	C1-9	40,186	39,457	24,150
Intangible Assets	C1-10	556	462	—
Right of use assets	C2-1	132	201	—
Investments accounted for using the equity method	D1-2	—	7,250	8,280
Other	C1-11	5,000	—	—
Total non-current assets		2,406,048	2,310,649	1,925,303
Total assets		2,564,161	2,439,463	2,102,971
LIABILITIES				
Current liabilities				
Payables	C3-1	26,336	25,419	19,867
Contract liabilities	C3-2	20,251	10,461	3,771
Lease liabilities	C2-1	72	71	—
Borrowings	C3-3	6,429	8,411	10,211
Employee benefit provisions	C3-4	36,696	34,399	29,613
Provisions	C3-5	1,803	872	596
Total current liabilities		91,587	79,633	64,058
Non-current liabilities				
Payables	C3-1	8,287	6,354	7,616
Lease liabilities	C2-1	59	128	—
Borrowings	C3-3	19,359	25,797	34,207
Employee benefit provisions	C3-4	1,250	1,150	709
Total non-current liabilities		28,955	33,429	42,532
Total liabilities		120,542	113,062	106,590
Net assets		2,443,619	2,326,401	1,996,381
EQUITY				
Accumulated surplus	C4-1	1,260,387	1,235,306	1,211,151
IPPE revaluation reserve	C4-1	1,183,232	1,091,095	785,230
Council equity interest		2,443,619	2,326,401	1,996,381
Total equity		2,443,619	2,326,401	1,996,381

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 2021

	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus Restated	IPPE revaluation reserve Restated	Total equity Restated
\$ '000							
Opening balance at 1 July		1,283,363	1,104,670	2,388,033	1,258,917	798,805	2,057,722
Correction of prior period errors	G4-1	(47,766)	(13,866)	(61,632)	(47,766)	(13,575)	(61,341)
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(5,344)	–	(5,344)
Changes due to AASB 16 adoption	G4-1c-iii	–	–	–	4	–	4
Restated opening balance		1,235,597	1,090,804	2,326,401	1,205,811	785,230	1,991,041
Net operating result for the year		24,790	–	24,790	29,794	–	29,794
Correction of prior period errors	G4-1	–	–	–	(291)	–	(291)
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	92,428	92,428	–	305,865	305,865
Joint ventures and associates	D1-2	–	–	–	(8)	–	(8)
Other comprehensive income		–	92,428	92,428	(8)	305,865	305,857
Total comprehensive income		24,790	92,428	117,218	29,495	305,865	335,360
Closing balance at 30 June		1,260,387	1,183,232	2,443,619	1,235,306	1,091,095	2,326,401

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 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
Receipts:				
173,312	Rates and annual charges		172,418	166,345
41,225	User charges and fees		38,242	34,446
2,303	Investment and interest revenue received		1,640	3,794
50,961	Grants and contributions		62,325	54,145
6,000	Bonds, deposits and retention amounts received		6,266	6,017
6,415	Other		7,580	10,862
Payments:				
(114,416)	Employee benefits and on-costs		(113,711)	(109,457)
(100,856)	Materials and services		(100,669)	(75,058)
(1,262)	Borrowing costs		(981)	(1,405)
(4,500)	Bonds, deposits and retention amounts refunded		(4,426)	(4,789)
(11,253)	Other		(13,428)	(31,427)
47,929	Net cash flows from operating activities	G1-1a	55,256	53,473
Cash flows from investing activities				
Receipts:				
–	Sale of investment		4,500	–
162,000	Redemption of term deposits		172,750	260,899
(332)	Sale of infrastructure, property, plant and equipment		4,328	5,022
330	Deferred debtors receipts		330	330
Payments:				
–	Purchase of investment		(2,729)	–
(162,000)	Acquisition of term deposits		(151,876)	(246,619)
(5,430)	Purchase of investment property		(336)	(10,616)
(56,272)	Purchase of infrastructure, property, plant and equipment		(63,300)	(43,967)
(160)	Purchase of intangible assets		(156)	(524)
(1,205)	Deferred debtors and advances made		(881)	–
(63,069)	Net cash flows from investing activities		(37,370)	(35,475)
Cash flows from financing activities				
Payments:				
(8,419)	Repayment of borrowings		(8,420)	(10,210)
(75)	Principal component of lease payments		(75)	(70)
(8,494)	Net cash flows from financing activities		(8,495)	(10,280)
(23,634)	Net change in cash and cash equivalents		9,391	7,718
13,000	Cash and cash equivalents at beginning of year		13,716	5,998
(10,634)	Cash and cash equivalents at end of year	C1-1	23,107	13,716
150,000	plus: Investments on hand at end of year	C1-2	133,868	149,003
139,366	Total cash, cash equivalents and investments		156,975	162,719

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

Penrith City Council

Contents for the notes to the Financial Statements for the year ended 30 June 2021

A About Council and these financial statements	11
A1-1 Basis of preparation	11
B Financial Performance	13
B1 Functions or activities	13
B1-1 Functions or activities – income, expenses and assets	13
B1-2 Components of functions or activities	15
B2 Sources of income	21
B2-1 Rates and annual charges	21
B2-2 User charges and fees	22
B2-3 Other revenue	23
B2-4 Grants and contributions	24
B2-5 Interest and investment income	28
B2-6 Other income	29
B3 Costs of providing services	30
B3-1 Employee benefits and on-costs	30
B3-2 Materials and services	31
B3-3 Borrowing costs	32
B3-4 Depreciation, amortisation and impairment of non-financial assets	33
B3-5 Other expenses	34
B4 Gains or losses	35
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	35
B5 Performance against budget	36
B5-1 Material budget variations	36
C Financial position	38
C1 Assets we manage	38
C1-1 Cash and cash equivalents	38
C1-2 Financial investments	39
C1-3 Restricted cash, cash equivalents and investments	41
C1-4 Receivables	42
C1-5 Inventories	44
C1-6 Contract assets and Contract cost assets	45
C1-7 Non-current assets classified as held for sale	46
C1-8 Infrastructure, property, plant and equipment	47
C1-9 Investment properties	50
C1-10 Intangible assets	51
C1-11 Other	52
C2 Leasing activities	53
C2-1 Council as a lessee	53
C2-2 Council as a lessor	55
C3 Liabilities of Council	57
C3-1 Payables	57
C3-2 Contract Liabilities	58

Penrith City Council

Contents for the notes to the Financial Statements for the year ended 30 June 2021

C3-3 Borrowings	59
C3-4 Employee benefit provisions	60
C3-5 Provisions	61
C4 Reserves	62
C4-1 Nature and purpose of reserves	62
D Council structure	63
D1 Interests in other entities	63
D1-1 Subsidiaries	63
D1-2 Interests in joint arrangements	66
E Risks and accounting uncertainties	68
E1-1 Risks relating to financial instruments held	68
E2-1 Fair value measurement	72
E3-1 Contingencies	74
F People and relationships	77
F1 Related party disclosures	77
F1-1 Key management personnel (KMP)	77
F1-2 Councillor and Mayoral fees and associated expenses	79
F2 Other relationships	80
F2-1 Audit fees	80
G Other matters	81
G1-1 Statement of Cash Flows information	81
G2-1 Commitments	82
G3-1 Events occurring after the reporting date	83
G4 Changes from prior year statements	84
G4-1 Correction of errors	84
G5 Statement of developer contributions as at 30 June 2021	86
G5-1 Summary of developer contributions	86
G5-2 Developer contributions by plan	87
G5-3 S7.4 planning agreements	89
G6 Statement of performance measures	90
G6-1 Statement of performance measures – consolidated results	90

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 25 October 2021. 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. estimated tip remediation provisions – refer Note C3-5
- iv. 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 will be included in Councils 2020-21 Annual Report. Further impacts are expected to continue into 2022, as detailed in Council's Operational Plan and Budget 2021-22.

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

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 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 2021 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 2021.

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Business System	–	–	1,067	768	(1,067)	(768)	–	–	–	–
Cemeteries	762	672	832	799	(70)	(127)	–	–	2	–
Children's Services	27,514	27,242	30,550	28,988	(3,036)	(1,746)	4,027	3,863	24,268	25,733
City Activation, Community and Place Management	1	914	832	1,878	(831)	(964)	1	110	11	11
City Economy and Marketing	–	3,301	1,177	1,583	(1,177)	1,718	–	3,301	1	1
City Planning	6,487	12,996	2,689	3,282	3,798	9,714	5,548	11,824	–	–
City Strategy	228	300	2,368	658	(2,140)	(358)	228	300	–	–
Civil Maintenance, Renewal and Construction ¹	25,365	11,433	41,240	28,381	(15,875)	(16,948)	23,947	10,083	2,166,660	2,050,844
Communications	7	31	2,354	2,038	(2,347)	(2,007)	–	29	–	9
Community Facilities and Recreation Operations	858	753	1,829	2,017	(971)	(1,264)	245	1	427	404
Community Facilities and Recreation Planning	5,209	3,162	1,724	1,374	3,485	1,788	5,174	3,015	4,001	3,778
Community Resilience (Community Safety)	392	13	422	471	(30)	(458)	392	13	–	–
Community Resilience (Neighbourhood Renewal)	1,291	58	2,316	1,636	(1,025)	(1,578)	466	58	–	–
Corporate Planning and Reporting	–	–	679	689	(679)	(689)	–	–	–	18
Council and Corporate Governance	1	1	1,379	1,351	(1,378)	(1,350)	–	–	171	183
Customer Experience	–	–	2,741	3,156	(2,741)	(3,156)	–	–	17	–
Design & Projects	17,054	13,399	20,666	13,126	(3,612)	273	17,032	13,399	–	–
Development Applications	1,834	1,952	6,373	5,927	(4,539)	(3,975)	6	12	–	–
Development Compliance	451	503	2,045	1,902	(1,594)	(1,399)	–	–	–	–
Divisional Assurance (City Services)	67	–	1,624	2,264	(1,557)	(2,264)	67	–	–	–
Engineering Services	405	144	1,781	1,544	(1,376)	(1,400)	–	–	–	–
Environmental Health	520	533	3,264	3,349	(2,744)	(2,816)	–	–	72	46
Executive Services	–	–	4,158	4,495	(4,158)	(4,495)	–	–	–	–
Financial Services	(671)	(911)	4,082	4,189	(4,753)	(5,100)	120	169	9,208	8,864
Fire Safety and Certification	1,252	1,279	2,721	2,579	(1,469)	(1,300)	–	–	–	–
Fleet and Plant Management	1,383	936	1,016	986	367	(50)	–	–	18,616	15,188
Floodplain & Stormwater Management	283	273	997	1,280	(714)	(1,007)	225	234	–	–
GIS and Mapping	–	1	816	855	(816)	(854)	–	–	67	64

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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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Information and Communications Technology	–	(9)	3,787	3,671	(3,787)	(3,680)	–	–	11,611	12,065
Information Management	–	–	(1,281)	(164)	1,281	164	–	–	–	–
Insurance and Risk Management	502	3	327	890	175	(887)	–	–	–	–
Internal Audit	–	–	422	420	(422)	(420)	–	–	–	–
Legal Services	462	84	752	737	(290)	(653)	–	–	–	–
Libraries	671	778	6,331	6,908	(5,660)	(6,130)	637	632	1,897	1,789
Nursery and Bush Care	170	–	1,154	–	(984)	–	168	–	–	–
Penrith Aquatic and Recreation Centre	4,036	3,745	7,183	6,991	(3,147)	(3,246)	–	3	1,295	829
Penrith Performing & Visual Arts	1,442	1,763	3,299	3,762	(1,857)	(1,999)	462	440	2,041	2,098
Penrith Whitewater Stadium	587	903	741	1,071	(154)	(168)	–	–	688	751
People and Culture	41	84	4,497	3,485	(4,456)	(3,401)	42	84	4,432	4,410
PMO and Business Improvement	–	–	1,252	861	(1,252)	(861)	–	–	18	12
Property Development & Management	6,980	8,640	5,926	6,027	1,054	2,613	498	–	84,365	86,462
Public Space Maintenance (City Services)	23	25	17,069	18,346	(17,046)	(18,321)	–	20	2,093	2,593
Public Space Maintenance (Cross City Buildings)	25	19	10,624	10,380	(10,599)	(10,361)	577	138	221,246	212,830
Public Space Maintenance (Cross City Services)	560	626	9,757	9,427	(9,197)	(8,801)	560	626	175	179
Purchasing & Supply	8	15	1,162	1,089	(1,154)	(1,074)	–	–	602	590
Rangers and Animal Services	1,357	2,202	2,919	2,784	(1,562)	(582)	–	–	–	–
Regional Illegal Dumping (RID)	1,315	998	1,395	1,205	(80)	(207)	1,157	836	–	–
Security and Emergency Services Management	1,373	585	3,207	2,939	(1,834)	(2,354)	1,237	585	8,469	8,323
Social Strategy (CCD)	168	195	2,194	2,457	(2,026)	(2,262)	168	181	–	–
Sustainability Resilience	7	22	761	653	(754)	(631)	–	–	–	–
Strategic Asset Management Planning	483	–	4,423	3,780	(3,940)	(3,780)	483	–	37	–
Tourism and International Partnerships	66	2	723	991	(657)	(989)	66	–	–	–
Traffic Management, Parking & Road Safety	1,390	1,133	1,716	1,499	(326)	(366)	1,390	1,133	46	–
Waste Avoidance & Resource Recovery	36,890	36,104	39,415	39,808	(2,525)	(3,704)	11	228	1,625	1,389
General Revenue	149,038	143,755	–	–	149,038	143,755	10,939	11,068	–	–
Other	–	428	–	–	–	428	–	–	–	–
Total functions and activities	298,287	281,085	273,497	251,582	24,790	29,503	75,873	62,385	2,564,161	2,439,463

(1) Prior Year Operating Expenses, Operating Result and Total Assets have been restated due to prior year error adjustment - refer Note G4-1.

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 149 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, protocol coordination, advertising management, submissions coordination, corporate publications, ward boundary reviews and quadrennial elections.

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	2021	2020
Ordinary rates		
Residential	105,601	102,068
Farmland	3,027	1,518
Business	26,942	25,398
Less: pensioner rebates	(1,888)	(1,857)
Rates levied to ratepayers	133,682	127,127
Pensioner rate subsidies received	1,023	1,007
Total ordinary rates	134,705	128,134
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	36,641	35,375
Stormwater management services	2,379	2,291
Waste management services (non-domestic)	35	37
Section 611 charges	101	105
Less: pensioner rebates (Domestic waste services)	(643)	(635)
Less: pensioner rebates (Stormwater management services)	(223)	(219)
Annual charges levied	38,290	36,954
Pensioner subsidies received:		
– Domestic waste management	369	363
Total annual charges	38,659	37,317
Total rates and annual charges	173,364	165,451

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	2021	2020
User charges		
Domestic waste management services	48	29
Total user charges	48	29
Fees		
Building Regulation	883	613
Planning and building regulation	2,655	2,748
Other regulatory/statutory fees	816	832
Section 10.7 certificates (EP&A Act)	539	405
Section 603 Certificates	377	295
Cemeteries	750	657
Child care	23,474	23,365
Companion animals	188	161
Halls and community centres	601	703
Performing Arts Centre/Gallery	976	1,291
Penrith Whitewater Stadium	587	903
Road reinstatements	1,413	1,314
Sport and recreation	365	531
Swimming centres	2,974	2,819
Other	921	803
Total fees	37,519	37,440
Total user charges and fees	37,567	37,469
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	24,185	23,880
User charges and fees recognised at a point in time	13,382	13,589
Total user charges and fees	37,567	37,469

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 revenue

\$ '000	2021	2020
Fines	1,541	2,469
Legal fees recovery – rates and charges (extra charges)	4	181
Legal fees recovery – other	494	82
Purchasing / performance rebate	144	273
Insurance claims recoveries	498	1
Other	141	112
Total other revenue	2,822	3,118

Timing of revenue recognition for other revenue

Other revenue recognised over time	–	–
Other revenue recognised at a point in time	2,822	3,118
Total other revenue	2,822	3,118

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 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Financial Assistance				
Prepayment received in advance for subsequent year	4,346	4,405	–	–
Relating to current year	4,062	4,160	–	–
Financial Assistance - Roads Component				
Relating to current year	1,219	1,214	–	–
Prepayment received in advance for subsequent year	1,309	1,289	–	–
Amount recognised as income during current year	10,936	11,068	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Bushfire and emergency services	941	287	208	52
Children's services	3,743	3,827	283	34
Civil construction (roads and drainage)	9,008	1,662	3,121	1,656
Community services	168	175	–	–
Cultural facilities	438	427	–	–
Design and major projects	2,676	12,009	3,946	1,390
Domestic waste	15	150	–	–
Library	637	631	–	–
Local infrastructure renewal scheme (LIRS)	120	169	–	–
Other contributions	276	320	506	–
Parks environmental management	108	66	10	–
Other specific grants	980	1,978	798	78
Recreation and culture	–	16	1,497	610
Recreation and leisure facilities management	130	100	4,950	2,291
RID squad	1,157	837	–	–
Roads maintenance	196	609	17	108
Street lighting	570	570	382	3
Traffic and transport	66	123	1,325	1,010
Transport for NSW contributions (regional roads, block grant)	1,035	1,035	456	546
Total special purpose grants and non-developer contributions – cash	22,264	24,991	17,499	7,778
Non-cash contributions				
Other	9	74	–	–
Subdivision Dedications (other than by s7.11)	–	–	19,072	4,599
Total other contributions – non-cash	9	74	19,072	4,599
Total special purpose grants and non-developer contributions (tied)	22,273	25,065	36,571	12,377
Total grants and non-developer contributions	33,209	36,133	36,571	12,377
Comprising:				
– Commonwealth funding	14,317	13,553	1,495	1,971
– State funding	7,197	7,645	14,785	4,358
– Other funding	11,695	14,935	20,291	6,048
	33,209	36,133	36,571	12,377

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions:	G5				
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	154	84
S 7.11 – contributions towards amenities/services		–	–	4,513	9,143
S 7.12 – fixed development consent levies		–	–	576	–
Total developer contributions – cash		–	–	5,243	9,227
Non-cash contributions					
Other developer contributions		–	–	850	4,648
Total developer contributions non-cash		–	–	850	4,648
Total developer contributions		–	–	6,093	13,875
Total contributions		–	–	6,093	13,875
Total grants and contributions		33,209	36,133	42,664	26,252
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time (1)		111	1,906	17,290	7,592
Grants and contributions recognised at a point in time (2)		33,098	34,227	25,374	18,660
Total grants and contributions		33,209	36,133	42,664	26,252

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 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants				
Unspent funds at 1 July	2,087	1,112	4,023	749
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	802	1,797	–	–
Less: capital grants recognised in a previous reporting period now spent	(1,596)	–	–	(316)
Add: Funds received and not recognised as revenue in the current year	180	229	13,286	4,023
Less: Funds received in prior year but revenue recognised and funds spent in current year	(146)	(1,051)	(3,504)	(433)
Unspent grants at 30 June	1,327	2,087	13,286	4,023
Unspent Contributions				
Unspent funds at 1 July	1,478	90	56,457	41,755
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	856	3,325	4,935	19,388
Add: contributions received and not recognised as revenue in the current year	31	723	808	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(622)	(2,660)	(8,671)	(4,686)
Unspent contributions at 30 June	1,743	1,478	53,529	56,457
Total unspent grants and contributions	3,070	3,565	66,815	60,480

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	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	161	124
– Cash and investments	1,326	3,210
Fair value adjustments		
– Movements in investments at fair value through profit and loss	260	(38)
Total interest and investment income (losses)	1,747	3,296

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	2021	2020
Fair value increment on investment properties			
Fair value increment on investment properties		393	5,058
Total fair value increment on investment properties	C1-9	393	5,058
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		1,809	1,317
Lease income relating to variable lease payments not dependent on an index or a rate		45	46
Total Investment properties		1,854	1,363
Other		2,713	2,517
Total Other lease income		2,713	2,517
Total rental income	C2-2	4,567	3,880
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		–	428
Total net share of interests in joint ventures and associates using the equity method	D1-2	–	428
Total other income		4,960	9,366

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	89,783	84,450
Employee leave entitlements (ELE)	15,544	20,465
Superannuation – guarantee levy	9,038	8,277
Superannuation – defined benefit plans	1,458	1,579
Workers' compensation insurance	1,652	1,057
Fringe benefit tax (FBT)	207	151
Other	133	312
Total employee costs	117,815	116,291
Less: capitalised costs	(1,696)	(2,957)
Total employee costs expensed	116,119	113,334

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	2021	2020
Raw materials and consumables		6,045	11,513
– Building and parks services		24,631	16,812
– Cleaning services		1,995	1,649
– Computer software maintenance		3,941	2,612
– Engineering services		1,050	–
– Garbage services		8,722	7,940
– Organic services		3,202	3,145
– Recycling services		1,920	1,825
– Security services		835	1,023
– Sullage services		205	165
– Tipping services ¹		14,073	10,942
Contractor and consultancy costs		16,507	17,348
Audit Fees	F2-1	141	141
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	601	633
Training costs (other than salaries and wages)		751	516
Advertising		335	214
Electricity and heating		1,964	2,309
Insurance		2,684	2,855
Postage		472	308
Printing and stationery		616	720
Street lighting		4,219	4,759
Subscriptions and publications		738	645
Telephone and communications		1,014	1,061
Cost of sales		241	268
Other expenses		824	3,926
Water rates and charges		586	892
Operating leases expense:			
Expenses from leases of low value assets		155	158
Legal expenses:			
– Legal expenses: planning and development		1,667	1,155
– Legal expenses: other		724	394
Total materials and services		100,858	95,928
Total materials and services		100,858	95,928

Accounting policy

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

(1) Prior year amount has changed due to a re-classification of Waste Levy expense to B3-5 Other expenses, amount was previously \$12,552,000

B3-3 Borrowing costs

\$ '000	2021	2020
(i) Interest bearing liability costs		
Interest on leases	4	5
Interest on loans	977	1,391
Other debts	–	9
Total interest bearing liability costs expensed	981	1,405
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
Total borrowing costs expensed	981	1,405

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	2021	2020
Depreciation and amortisation			
Plant and equipment		2,540	2,185
Office equipment		1,674	1,692
Furniture and fittings		791	782
Land improvements (depreciable)		2,704	2,587
Infrastructure:	C1-8		
– Buildings		7,104	7,070
– Roads		20,945	12,182
– Stormwater drainage ¹		7,210	2,893
– Other open space/recreational assets		687	524
– Other infrastructure		57	56
Right of use assets	C2-1	76	72
Other assets:			
– Library books		412	420
– Other		24	23
Intangible assets	C1-10	62	62
Total depreciation and amortisation costs		44,286	30,548
Total depreciation, amortisation and impairment for non-financial assets		44,286	30,548

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.

(1) Prior Year expenses restated due to prior year error adjustment - refer Note G4-1.

B3-5 Other expenses

\$ '000	2021	2020
Impairment of receivables	40	24
Contributions/levies to other levels of government		
– Department of planning levy	636	675
– Emergency services levy (includes FRNSW, SES, and RFS levies)	2,342	1,596
– Waste levy ¹	5,462	4,486
– Other donations and contributions	2,541	1,962
Other	232	253
Total other expenses	11,253	8,996

Accounting policy

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

Impairment expenses are recognised when identified.

(1) Prior year amount has changed due to a re-classification of expense from note B3-2, amount was previously \$2,876,000

B4 Gains or losses

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

\$ '000	Notes	2021	2020
Infrastructure, property, plant and equipment	C1-8		
Proceeds from disposal		4,328	5,022
Less: carrying amount of assets sold/written off		(2,374)	(6,026)
Gain (or loss) on disposal		1,954	(1,004)
Investment property	C1-9		
Less: carrying amount of investment property sold/written off		–	(367)
Gain (or loss) on disposal		–	(367)
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		170,000	260,899
Less: carrying amount of investments sold/redeemed/matured		(170,000)	(260,899)
Net gain (or loss) on disposal of assets		1,954	(1,371)

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 22/06/2020 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	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Other revenues	1,917	2,822	905	47% 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 \$315,000, Environmental Health and Compliance Fines of \$154,000, Insurance claims recovered which were not originally budgeted \$498,000, Easement income received \$68,000, Rebates on purchases greater than anticipated of \$55,000. Area's which returned less than anticipated were Performance Rebates which were not received (\$209,000) & Car Parking income (\$63,000).				
Operating grants and contributions	38,268	33,209	(5,059)	(13)% U
Variances for Operating Grants and Contributions were attributed to the timing of payments, with the following Grants and Contributions less than anticipated: Federal Roadworks Grants (\$2,536,000), Contribution to Roadworks (\$4,443,000) and Domestic Waste Contribution to Programs (\$300,000). Operating Grants and Contributions that were greater than anticipated were: Children's Services Grants \$1,447,000, State Specific Purpose Grant \$404,000 and Other Contributions \$154,000.				
Capital grants and contributions	26,694	42,664	15,970	60% 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 \$5,072,000, S711 & S712 Contributions \$455,000, Capital Contributions to Works \$748,000, Bushfire Grants \$208,000, Child Care Centre upgrades \$283,000, State and Federal Capital Grants for Replacement Assets \$2,179,000, State and Federal Grants for New Assets \$3,562,000 and Roadworks Capital Grants for New and Replacement Assets \$2,459,000.				
Interest and investment revenue	2,303	1,747	(556)	(24)% U
Material Budget Variations were 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 continue to decline. The official cash rate reducing to as low as 0.10% at the start of December 2020. 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 lower than originally estimated so the untied interest earned on the portfolio fell short of the original budgets by (\$137,000), Interest on Developer Contributions was less than anticipated by (\$284,000) and interest on reserves by (\$418,000). Net loss on Civic Risk Investment was also not included within the original budget which resulted in a loss of (\$949,000) as well as the consideration of Fair Value on Investments which resulted in a gain of \$176,000.				
Net gains from disposal of assets	–	1,954	1,954	∞ F
The disposal of assets was budgeted to be a loss of \$332,000 whereas Council received a profit of \$1,955,000 during the year due to the higher prices received at auction from the second-hand motor vehicle market, caused by a number of external reasons including COVID-19.				
Other income	4,498	4,960	462	10% F
Similar to prior years, an independent property valuer has been engaged to obtain fair values of investment properties. The revaluation resulted in a \$75,000 decrement in one property and \$468,000 increment in five properties compared to 2019-20 values. This ultimately meant total increment of \$393,000 in 2020-21 financial year.				

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
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EXPENSES

Borrowing costs	1,262	981	281	22%	F
Borrowing costs was less than anticipated with lower than anticipated interest payments of (\$284,000).					
Depreciation, amortisation and impairment of non-financial assets	29,920	44,286	(14,366)	(48)%	U
The original depreciation for Roads and Drains for 2020-2021 was \$14,780,000 to be revised to \$28,260,000, with an increase of \$13,480,000 due to the revaluation adjustments processed in June 2020, after the original budget was prepared.					
Other expenses	8,955	11,253	(2,298)	(26)%	U
Material Budget Variations on Other Expenses were recognised in several areas: These include Waste Levy which was greater than anticipated tonnage resulting in a higher than expected Levy (\$2,123,000), Acquisition of Easement not in original budget (\$325,000), Plan First payments which were originally shown under contracts within the original budget. Council also made savings where Contributions to Authorities were less than anticipated \$204,000 and Asset Maintenance Indexation which was originally budgeted for under Other Expense was reclassified to Material and Contracts \$620,000.					
Net losses from disposal of assets	332	-	332	100%	F
The disposal of assets was budgeted to be a loss of \$332,000 whereas Council received a profit of \$1,955,000 during the year due to the higher prices received at auction from the second-hand motor vehicle market, caused by a number of external reasons including COVID-19.					

STATEMENT OF CASH FLOWS

Cash flows from operating activities	47,929	55,256	7,327	15%	F
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 unfavourable compared to original budgets which resulted from several areas: Other Expenses was greater than original budget and Employee Costs, Material & Contracts were all less than anticipated. Revenue from User Fees & Charges experienced a decrease in revenue while Interest on Investments were less than anticipated due to record low interest rates. Operating Grant & Contributions were also less than anticipated due to the timing of payments.					
Cash flows from investing activities	(63,069)	(37,370)	25,699	(41)%	F
This variance relates to two main areas: the turnover of term deposits during the year, which is difficult to estimate as investment terms are chosen based on the best interest rates available and these can change daily; the disposal of assets was budgeted to be a loss of \$332,000 whereas Council received a profit of \$1,955,000 during the year due to the higher prices received at auction from the second hand motor vehicle market, caused by a number of external reasons including COVID-19.					

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	6,830	3,388
Cash-equivalent assets		
– Deposits at call	11,277	4,828
– Short-term deposits	5,000	5,500
Total cash and cash equivalents	23,107	13,716

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	23,107	13,716
Balance as per the Statement of Cash Flows	23,107	13,716

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	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Financial assets at fair value through profit and loss					
- Floating Rate Notes		3,023	7,858	–	15,344
- Mortgage Backed Securities		–	1,509	–	1,391
- Other long term financial assets		–	7,334	–	–
Debt securities at amortised cost					
- Term Deposits		102,144	12,000	89,768	42,500
Total		102,144	12,000	89,768	42,500
Total financial investments		105,167	28,701	89,768	59,235
Total cash assets, cash equivalents and investments	C1-1, C1-2	128,274	28,701	103,484	59,235

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 (Refer Note D2-2). 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.

In the prior year's Council's interest in CRM was accounted for using the equity method due to the organisational structure and operational arrangements in place at that time (Refer Note D2-2) for further details.

Reconciliation	2020/21
Opening Balance - Equity Method	\$7,250,000
Transfer CivicRisk West and Metro Joint Venture	(\$6,600,000)
Transfer CivicRisk Mutual Joint Venture	(\$650,000)
Opening Balance (face value)	<u>\$7,250,000</u>
Less: Write down to Fair Value 1 July 2020	<u>(\$885,000)</u>
Fair Value at 1 July 2020	\$6,365,000
Add: Fair Value of CRML operations in 2020/21	<u>\$969,000</u>
Fair Value at end of year	\$7,334,000

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total cash, cash equivalents and investments	128,274	28,701	103,484	59,235

\$ '000	Notes	2021	2020
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Details of restrictions

External restrictions

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

Developer contributions – general	B2,G5	50,378	50,381
Specific purpose unexpended grants - general fund	C3-2	14,613	2,580
Domestic waste management		11,830	13,897
Stormwater management		2,189	1,599
Sullage reserve		336	259
Childcare		941	1,947
Waste and sustainability		166	103
Other		4,674	7,140
Total external restrictions		85,127	77,906

Internal restrictions

Council has internally restricted cash, cash equivalents and investments as follows:

Plant and vehicle replacement		2,978	5,774
Employees leave entitlement		5,010	5,072
Deposits, retentions and bonds		15,923	14,129
Acquisition of land and buildings		8,326	13,856
Cemetery reserve		647	789
Children's services reserve		404	1,645
Election reserve		730	656
Financial Assistance Grant received in advance		4,890	5,501
Financial management		13,680	16,932
Infrastructure construction		1,690	4,703
Insurance reserve		4,674	6,013
Legal reserve		52	700
Revote reserve		1,607	2,327
Salary administration		60	43
Sustainability revolving fund		776	1,008
Voted works		396	409
Other		4,310	3,218
Total internal restrictions		66,153	82,775
Total restrictions		151,280	160,681

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

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	6,606	2,737	6,080	1,158
Interest and extra charges	345	520	356	481
User charges and fees	1,813	–	1,452	–
Accrued revenues				
– Interest on investments	139	–	307	–
Deferred debtors	39	940	330	98
Government grants and subsidies	4,383	–	3,222	–
Net GST Receivable	1,096	–	1,330	–
Other debtors	8	–	5	–
Total	14,429	4,197	13,082	1,737
Less: provision of impairment				
Rates and annual charges	(935)	(417)	(246)	(385)
Interest and extra charges	(53)	(352)	(52)	(340)
User charges and fees	(209)	–	(195)	–
Total provision for impairment – receivables	(1,197)	(769)	(493)	(725)
Total net receivables	13,232	3,428	12,589	1,012

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 2021 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	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Stores and materials	518	–	631	–
Total inventories at cost	518	–	631	–
Total inventories	518	–	631	–

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	2021	2020
Contract assets	5,728	3,645
Total contract assets and contract cost assets	5,728	3,645

Contract assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Work relating to infrastructure grants	5,617	–	3,514	–
Other	111	–	131	–
Total contract assets	5,728	–	3,645	–

Accounting policy

Contract assets

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

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

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

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	2021 Current	2020 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.

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 2020			Asset movements during the reporting period						At 30 June 2021		
	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	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:												
– Crown land	19,308	–	19,308	–	–	–	–	1,371	(2,617)	18,062	–	18,062
– 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
– Land under roads (pre 1/7/08) ²	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 ²	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 Structure	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).

(2) Prior Year Carrying amount has been restated due to prior year error adjustment refer to Note G4-1.

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period							At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions New Assets ¹	Additions Renewals/ Upgrade Assets	Carrying value of disposals	Depreciation expense	Re-Class Adjustment	WIP Transfer/ Reclass	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	22,618	–	22,618	4,112	–	–	–	–	(22,618)	–	4,112	–	4,112
Plant and equipment	33,494	(21,908)	11,586	2,924	113	(1,038)	(2,185)	(141)	4,679	–	37,352	(21,414)	15,938
Office equipment	37,962	(28,687)	9,275	2,604	–	–	(1,692)	29	(93)	–	40,353	(30,230)	10,123
Furniture and fittings	9,123	(6,418)	2,705	615	171	–	(782)	38	2,584	–	12,623	(7,292)	5,331
Land:													
– Operational land	191,774	–	191,774	82	–	(4,720)	–	–	(7,724)	–	179,412	–	179,412
– Community land	210,011	–	210,011	23	9	(26)	–	–	(16,136)	–	193,881	–	193,881
– Crown land	–	–	–	–	–	–	–	–	19,308	–	19,308	–	19,308
– Land under roads (pre 1/7/08)	106,289	–	106,289	–	–	–	–	–	–	–	106,289	–	106,289
– Land under roads (post 30/6/08)	8,643	–	8,643	353	–	–	–	–	–	–	8,996	–	8,996
Land improvements – depreciable	40,508	(8,750)	31,758	2,555	134	–	(2,587)	–	300	–	41,708	(9,548)	32,160
Infrastructure:													
– Buildings	273,002	(72,213)	200,789	3,812	8,468	(169)	(7,070)	18	9,204	–	296,168	(81,116)	215,052
– Roads	1,139,429	(368,768)	770,661	9,558	10,009	–	(12,182)	–	3,647	86,884	1,316,505	(447,928)	868,577
– Bulk earthworks (non-depreciable)	3,328	–	3,328	31	–	–	–	–	1	–	3,360	–	3,360
– Stormwater drainage	403,275	(99,143)	304,132	4,886	491	–	(2,893)	–	585	218,715	743,606	(217,690)	525,916
– Other open space/recreational assets	–	–	–	173	1,675	(5)	(524)	56	5,512	–	9,899	(3,012)	6,887
– Other infrastructure	–	–	–	18	50	–	(56)	–	657	–	883	(214)	669
Other assets:													
– Library books	12,114	(10,438)	1,676	413	–	(68)	(420)	–	–	–	12,092	(10,491)	1,601
– Other	6,132	(983)	5,149	19	8	–	(23)	–	1	266	5,903	(483)	5,420
Total infrastructure, property, plant and equipment	2,497,702	(617,308)	1,880,394	32,178	21,128	(6,026)	(30,414)	–	(93)	305,865	3,032,450	(829,418)	2,203,032

(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	2021	2020
Owned investment property		
Investment property on hand at fair value	40,186	39,457
Total owned investment property	40,186	39,457
Owned investment property		
At fair value		
Opening balance at 1 July	39,457	24,150
Acquisitions	–	10,616
Capitalised subsequent expenditure	336	–
Disposals during year	–	(367)
Net gain/(loss) from fair value adjustments	393	5,058
Closing balance at 30 June	40,186	39,457

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	2021	2020
Software		
Opening values at 1 July		
Gross book value	1,024	593
Accumulated amortisation	(562)	(500)
Net book value – opening balance	462	93
Movements for the year		
Purchases	156	431
Amortisation charges	(62)	(62)
Closing values at 30 June		
Gross book value	1,181	1,024
Accumulated amortisation	(625)	(562)
Total software – net book value	556	462
Total intangible assets – net book value	556	462

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	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Prepayments	2,101	5,000	3,724	—
Refundable bonds paid by Council	4,995	—	4,741	—
Total other assets	7,096	5,000	8,465	—

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
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
2020		
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	196	196
Additions to right-of-use assets	77	77
Depreciation charge	(72)	(72)
Balance at 30 June	201	201

(b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	72	59	71	128
Total lease liabilities	72	59	71	128

(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
2021					
Cash flows	72	59	–	131	131
2020					
Cash flows	71	128	–	199	199

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	2021	2020
Interest on lease liabilities	4	5
Depreciation of right of use assets	76	72
Expenses relating to low-value leases	155	158
	235	235

(e) Statement of Cash Flows

Total cash outflow for leases	230	235
	230	235

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	2021	2020
Operating lease expenses		
Direct operating expenses that generated rental income	3,297	2,973
Direct operating expenses that did not generate rental income	24	44
Total expenses relating to operating leases	3,321	3,017

(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)	1,809	1,317
Lease income relating to variable lease payments not dependent on an index or a rate	45	46
Total income relating to operating leases for investment property assets	1,854	1,363

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)	1,439	1,490
Lease income relating to variable lease payments not dependent on an index or a rate	1,274	1,027
Total income relating to operating leases for Council assets	2,713	2,517

Amount of IPPE leased out by Council under operating leases

Land	C1-8	40,527	40,643
Buildings	C1-8	8,447	8,533
Motor Vehicles	C1-8	5,451	5,116
Total amount of IPPE leased out by Council under operating leases		54,425	54,292

(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	1,449	1,504
1–2 years	1,305	1,449
2–3 years	1,208	1,305
3–4 years	507	1,208
4–5 years	295	508
> 5 years	591	886
Total undiscounted lease payments to be received	5,355	6,860

C2-2 Council as a lessor (continued)

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	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Government departments and agencies	347	–	659	–
Prepaid rates	3,066	–	2,628	–
Goods and services	6,523	–	6,447	–
Accrued expenses:				
– Salaries and wages	48	–	37	–
– Other expenditure accruals	7,725	–	6,914	–
Security bonds, deposits and retentions	8,512	8,287	8,605	6,354
Other	115	–	129	–
Total payables	26,336	8,287	25,419	6,354
Total payables	26,336	8,287	25,419	6,354

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	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Funds to construct Council controlled assets	(i)	13,291	–	4,023	–
Funds received prior to performance obligations being satisfied (upfront payments) - AASB 15	(ii)	1,014	–	1,514	–
Deposits received in advance of services provided		367	–	317	–
Upfront fees	(iii)	5,579	–	4,607	–
Total contract liabilities		20,251	–	10,461	–

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	2021	2020
Funds to construct Council controlled assets	2,027	525
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	70	220
Deposits received in advance of services provided	317	317
Upfront fees	1,167	1,232
Total revenue recognised that was included in the contract liability balance at the beginning of the period	3,581	2,294

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	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured ¹	6,429	19,359	8,411	25,797
Total borrowings	6,429	19,359	8,411	25,797

(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	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 liabilities (Note C2-1b)	199	(68)	–	–	–	–	131
Total liabilities from financing activities	34,407	(8,488)	–	–	–	–	25,919

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	43,052	(8,844)	–	–	–	–	34,208
Interest-free government advances	1,366	(1,366)	–	–	–	–	–
Lease liability (Note C2-1b)	–	199	–	–	–	–	199
Total liabilities from financing activities	44,418	(10,011)	–	–	–	–	34,407

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	510	520
Credit cards/purchase cards	550	550
Total financing arrangements	1,060	1,070
Undrawn facilities		
– Bank overdraft facilities	510	1,038
– Credit cards/purchase cards	550	1,082
Total undrawn financing arrangements	1,060	2,120

(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	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Annual leave	10,272	–	8,955	–
Sick leave	5,039	–	5,279	–
Long service leave	21,169	1,250	19,954	1,150
Gratuities	216	–	211	–
Total employee benefit provisions	36,696	1,250	34,399	1,150

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employee benefits	27,791	25,620
	27,791	25,620

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	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
Other provisions				
Self insurance – workers compensation	–	–	87	–
Self insurance – public liability	533	–	785	–
Other	1,270	–	–	–
Sub-total – other provisions	1,803	–	872	–
Total provisions	1,803	–	872	–

Description of and movements in provisions

\$ '000	Other provisions		
	Self insurance	Other	Net carrying amount
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
2020			
At beginning of year	596	–	596
Additional provisions	276	–	276
Total other provisions at end of year	872	–	872

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment 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 Performing and Visual Arts Ltd (PPVA)	Cultural Penrith

Interests in Subsidiary	Voting rights 2021	Voting rights 2020
Council's interest in Subsidiary	100%	100%

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

Council provided PPVA an amount of \$2.241m in subsidies during 2020-21. This subsidy is proposed to be \$2.282m in 2021-22.

Council will underwrite the operation of the PPVA for a period of 36 months from 1 July 2019 until 30 June 2022.

Summarised financial information for the Subsidiary

\$ '000	2021	2020
Summarised statement of comprehensive income		
Revenue	1,418	1,750
Expenses	(3,272)	(3,732)
Profit for the period	(1,854)	(1,982)
Total comprehensive income	(1,854)	(1,982)
Summarised statement of financial position		
Current assets	2,277	1,200
Non-current assets	2,071	2,145
Total assets	4,348	3,345
Current liabilities	1,433	780
Non-current liabilities	188	221
Total liabilities	1,621	1,001
Net assets	2,727	2,344
Summarised statement of cash flows		
Cash flows from operating activities	1,025	429
Cash flows from investing activities	(53)	(69)
Net increase (decrease) in cash and cash equivalents	972	360

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	Voting rights 2021	Voting rights 2020
Council's interest in Subsidiary	100%	100%

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

Council provided PWS an amount of \$570,000 in subsidies during 2020-21.

Council will underwrite the operation of the PWS for a period of 36 months from 1 July 2019 until 30 June 2022.

Summarised financial information for the Subsidiary

\$ '000	2021	2020
Summarised statement of comprehensive income		
Revenue	587	903
Expenses	(741)	(1,071)
Profit for the period	(154)	(168)
Total comprehensive income	(154)	(168)
Summarised statement of financial position		
Current assets	778	225
Non-current assets	688	751
Total assets	1,466	976
Current liabilities	516	421
Total liabilities	516	421
Net assets	950	555
Summarised statement of cash flows		
Cash flows from operating activities	584	56
Cash flows from investing activities	(24)	—
Cash flows from financing activities	(4)	—
Net increase (decrease) in cash and cash equivalents	556	56

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.

\$ '000	Council's share of net assets	
	2021	2020
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Joint ventures	–	7,250
Total net share of interests in joint ventures and associates using the equity method – assets	–	7,250
Total Council's share of net assets	–	7,250

D1-2 Interests in joint arrangements

Net carrying amounts – Council's share

\$ '000	Nature of relationship	Place of business	Interest in ownership			
			2021	2020	2021	2020
CivicRisk Mutual	Joint venture	Penrith	0.0%	9.1%	–	650
CivicRisk West	Joint venture	Penrith	0.0%	15.7%	–	6,600
Total carrying amounts – material joint ventures					–	7,250

CivicRisk Mutual and CivicRisk West

Up until 1 July 2020, Council was a member of CivicRisk West and Metro and CivicRisk Mutual which were joint ventures operating to provide members protection which includes mutual self-insurance, group insurance arrangements and risk management support for Public Liability, Professional Indemnity, Property, Motor Vehicle and other general lines of cover (excluding workers compensation). On 1 July 2020 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 are provided with a right to the surplus or deficit in protection years in which they were members.

In the years prior to 1 July 2020, Council's interest in the CivicRisk joint ventures was accounted for using the equity method and reported at Note 19. From 1 July 2020, Council's interest in CivicRisk Mutual Ltd is now shown at C1-2 and reported under AASB9.

(Note D1-2 will show comparative information for 2019/20 and the ending balance will agree to the opening balance in Note C1-2)

Material joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

Details

	Principal activity	Measurement method
CivicRisk West	Insurance	Equity
CivicRisk Mutual	Insurance	Equity

Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2021	2020	2021	2020
CivicRisk West	0.0%	15.7%	0.0%	7.7%
CivicRisk Mutual	0.0%	9.1%	0.0%	5.3%

D1-2 Interests in joint arrangements (continued)

Summarised financial information for joint ventures

\$ '000	CivicRisk West		CivicRisk Mutual	
	2021	2020	2021	2020
Return of Equity received by Council	–	1,450	–	–
Statement of financial position				
Current assets				
Cash and cash equivalents	–	14,665	–	6,177
Other current assets	–	15,584	–	5,924
Non-current assets	–	33,048	–	5,102
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	–	4,561	–	5,923
Other current liabilities	–	8,617	–	490
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	–	7,999	–	3,635
Net assets	–	42,120	–	7,155
Statement of comprehensive income				
Income	–	7,969	–	14,679
Interest income	–	1,321	–	205
Interest expense	–	(18)	–	–
Other expenses	–	(6,091)	–	(14,673)
Profit/(loss) from continuing operations	–	3,181	–	211
Profit/(loss) for the period	–	3,181	–	211
Total comprehensive income	–	3,181	–	211
Share of income – Council (%)	0.0%	12.6%	0.0%	13.0%
Profit/(loss) – Council (\$)	–	401	–	27
Total comprehensive income – Council (\$)	–	401	–	27
Summarised Statement of cash flows				
Cash flows from operating activities	–	(1,887)	–	1,614
Cash flows from investing activities	–	12,681	–	2,750
Net increase (decrease) in cash and cash equivalents	–	10,794	–	4,364
Reconciliation of the carrying amount				
Opening net assets (1 July)	58,969	47,388	8,751	6,945
Profit/(loss) for the period	–	3,181	–	211
Dividends received	–	8,400	–	1,595
Closing net assets	58,969	58,969	8,751	8,751
Council's share of net assets (%)	0.0%	15.7%	0.0%	9.1%
Council's share of net assets (\$)	–	6,600	–	650

Fair value of investment

\$ '000	Quoted fair value	
	2021	2020
CivicRisk West	–	6,600
CivicRisk Mutual	–	650

E1 Risks relating to financial instruments held

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.

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	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,570	1,627
Impact of a 10% movement in price of investments		
– Equity / Income Statement	151	139

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	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	2,183	4,434	1,081	862	783	9,343
2020						
Gross carrying amount	2,082	3,079	549	838	690	7,238

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	8,123	88	450	38	584	9,283
Expected loss rate (%)	0.00%	0.87%	7.59%	16.42%	75.12%	5.17%
ECL provision	–	1	34	6	439	480
2020						
Gross carrying amount	3,009	4,078	21	24	449	7,581
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	43.42%	2.57%
ECL provision	–	–	–	–	195	195

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	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	16,799	—	—	—	16,799	31,557
Loans and advances	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	57,345
2020							
Trade/other payables	0.00%	14,959	—	—	—	14,959	29,145
Loans and advances	3.76%	—	9,102	19,241	6,404	34,747	34,208
Total financial liabilities		14,959	9,102	19,241	6,404	49,706	63,353

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).

		Fair value measurement hierarchy					
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
Recurring fair value measurements							
Financial investments	C1-2						
At fair value through profit or loss		19,724	16,735	—	—	19,724	16,735
Investment property	C1-9						
Land and buildings		40,186	39,457	—	—	40,186	39,457
Total investment property		40,186	39,457	—	—	40,186	39,457
Infrastructure, property, plant and equipment	C1-8						
Plant and equipment		—	—	19,589	15,938	19,589	15,938
Office equipment		—	—	9,693	10,123	9,693	10,123
Furniture and fittings		—	—	4,664	5,331	4,664	5,331
Crown Land		—	—	18,062	19,308	18,062	19,308
Operating land		—	—	187,800	179,412	187,800	179,412
Community land		—	—	210,800	193,881	210,800	193,881
Land under roads ¹		—	—	161,932	195,952	161,932	195,952
Land improvements		—	—	31,256	32,160	31,256	32,160
Buildings		—	—	218,471	215,052	218,471	215,052
Roads, bridges, footpaths		—	—	902,757	871,937	902,757	871,937
Stormwater drainage ¹		—	—	528,765	506,881	528,765	506,881
Other Open Space/Recreational Assets		—	—	15,247	6,887	15,247	6,887
Other Infrastructure		—	—	625	669	625	669
Library books		—	—	1,731	1,601	1,731	1,601
Other		—	—	5,451	5,420	5,451	5,420
Total infrastructure, property, plant and equipment		—	—	2,316,843	2,260,552	2,316,843	2,260,552

(1) Prior Year Fair Value amount has been restated due to prior year error adjustment refer to Note G4-1.

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

E2-1 Fair value measurement (continued)

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:

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

In the prior year's Council's interest in CivicRisk Mutual Ltd was accounted for using the equity method due to the organisational structure and operational arrangements in place at that time (Refer Note C1-2 and D2-2) for further details.

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
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% of salaries for the year ending 30 June 2021 (increasing to 7.5% 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, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. 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 2021 was \$1,344,961. The last valuation of the Scheme was performed by Mercer Consulting on 30 June 2020, and covers the period ended 30 June 2021.

The amount of additional contributions included in the total employer contribution advised above is \$749,500. Council's expected contribution to the plan for the next annual reporting period is \$1,218,427.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

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

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	5.75% 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 around December 2021.

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 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer subgroup.

(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.

E3-1 Contingencies (continued)

(iv) Bank Guarantee

Under the Workers Compensation Act 1987, participants of the Retro Paid Model are required to provide financial security to ensure that other employers in the State will not be required to meet the cost of claims if these entities are not able to meet their Workers Compensation liabilities. Council has also provided two bank guarantees to the value of \$7,600 to the Department of Education for two Out of School Hours facilities in Public Schools and \$541,668 to Sydney Water for a road realignment project.

- WorkCover NSW \$2,212,202
- Sydney Water \$ 541,668
- 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 have experienced settlement. These assets are currently valued at \$44.7m. Localised repairs to assets include pavement rehabilitation and minor repairs to footpaths and kerb and gutter at the expense of the developer. A report on the potential impact to assets has been prepared by the developer and is currently being reviewed by Council. Further 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	2021	2020
Compensation:		
Short-term benefits (including annual leave)	2,726	2,692
Other long-term benefits	108	119
Total	2,834	2,811

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			Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref	Transactions during the year				
2021						
Contribution to Civic Risk Mutual	1	770	—	30-day terms on invoices	—	—
Loan provided to Penrith Valley Regional Sports Centre	3	1,200	—		—	—
Debt Guarantee for Penrith Valley Regional Sports Centre	4	500	—		—	—
2020						
Contribution to Civic Risk Mutual	1	1,769	—	30-day terms on invoices	—	—
Distribution of equity and revenue from Civic Risk Mutual	2	1,878	—		—	—
Loan provided to Penrith Valley Regional Sports Centre	3	—	—		—	—
Debt Guarantee for Penrith Valley Regional Sports Centre	4	—	—		—	—

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

2 Council was involved in a joint venture for self-insurance purposes with Civic Risk Mutual. Council received a distribution of revenue and a distribution of equity in the 2019-20 financial year.

3 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 month basis.

4 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	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	87	88
Councillors' fees	458	463
– Telephone	27	32
– Training, conferences and seminars	26	36
– Other	3	14
Total	601	633

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
Audit and other assurance services: Auditors of NSW Council – NSW Auditor-General:		
Audit and review of financial statements	141	141
Total fees paid or payable to the Auditor-General	141	141

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
Net operating result from Income Statement	24,790	29,503
Adjust for non-cash items:		
Depreciation and amortisation	44,286	30,548
Net losses/(gains) on disposal of assets	(1,954)	1,371
Non-cash capital grants and contributions	(19,072)	(9,247)
Adoption of AASB 15/1058	–	(5,344)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(260)	38
– Investment property	(393)	(5,058)
Share of net (profits)/losses of associates/joint ventures using the equity method	–	(428)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(3,256)	2,816
Increase/(decrease) in provision for impairment of receivables	748	57
Decrease/(increase) in inventories	113	107
Decrease/(increase) in other current assets	(3,631)	(3,728)
Decrease/(increase) in contract assets	(2,083)	(3,645)
Increase/(decrease) in payables	76	3,267
Increase/(decrease) in other accrued expenses payable	822	(3,417)
Increase/(decrease) in other liabilities	1,952	669
Increase/(decrease) in contract liabilities	9,790	10,461
Increase/(decrease) in provision for employee benefits	2,397	5,227
Increase/(decrease) in other provisions	931	276
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	55,256	53,473

(b) Non-cash investing and financing activities

Developer contributions 'in kind'	19,072	9,247
Total non-cash investing and financing activities	19,072	9,247

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
---------	------	------

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	6,367	2,132
Plant and equipment	2,733	2,300
Roadworks	6,641	152
Other	16,647	2,783

Investment property

– Land	45,000	–
– Buildings	728	–

Total commitments

78,116	7,367
---------------	--------------

These expenditures are payable as follows:

Within the next year	31,224	7,367
Later than one year and not later than 5 years	46,892	–

Total payable

78,116	7,367
---------------	--------------

Sources for funding of capital commitments:

Unrestricted general funds	78,116	7,367
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Total sources of funding

78,116	7,367
---------------	--------------

Details of capital commitments

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

- Plant and Equipment Procurement
- Soper Place Carpark and Commercial Project
- Jamison Park Synthetic Turf Playing Fields
- Regatta Park Precinct
- Civic Centre Ground Floor Refurbishment
- Gipps Street Recreation Precinct
- Caddens Road Upgrade
- Dunheved Road Design
- Kingswood Commuter Carpark
- St Marys Commuter Carpark
- Transformation of former Council Chambers 131 Henry Street
- Arthur Neave Hall and Floribunda Neighbourhood Centre Refurbishment
- Harold Corr Oval Track Construction
- Purchase of 158-164 Old Bathurst Road, Emu Plains

G3-1 Events occurring after the reporting date

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

At Council meeting 26 July 2021, Council has approved the Penrith Valley Regional Sports Centre (PVRSC) request for a pause in their loan repayment from August 2021 for a period that extends for three months past the date of the lifting of the current COVID-19 restrictions that have required the PVRSC to close.

G4 Changes from prior year statements

G4-1 Correction of errors

Nature of prior-period error

Land under Roads pre-1 July 2008

During the current year the Council conducted a comprehensive revaluation for land under roads. As part of this revaluation the Council identified the original external valuation worksheet used to recognise the fair value of land under roads acquired before 1 July 2008 in 2010-11, contained roads that were not Council owned, duplicated roads and other errors. The area of Land Under Roads pre-1 July 2008 has been revised from an area of 30,627,500m² to 17,412,413m² with a decrease in value of \$80,667,497.

Stormwater Drainage assets

The stormwater drainage asset reconciliations during the year identified missing assets from the prior year revaluation. This error resulted in a net increase in stormwater drainage assets at 1 July 2019 of \$19,327,212 and 30 June 2020 of \$19,036,445. Depreciation expense for the year ended 30 June 2020 has increased by \$290,767.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2019) and taking the adjustment through to accumulated surplus and revaluation reserves at that date.

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

Changes to the opening Statement of Financial Position at 1 July 2019

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Infrastructure, property, plant and equipment	1,941,734	(61,341)	1,880,393
Total assets	2,164,312	(61,341)	2,102,971
Net assets	2,057,722	(61,341)	1,996,381
Accumulated Surplus	1,258,917	(47,766)	1,211,151
Revaluation Reserves	798,805	(13,575)	785,230
Total equity	2,057,722	(61,341)	1,996,381

Adjustments to the comparative figures for the year ended 30 June 2020

Statement of Financial Position

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Infrastructure, property, plant and equipment	2,264,664	(61,632)	2,203,032
Total assets	2,501,095	(61,632)	2,439,463
Net assets	2,388,033	(61,632)	2,326,401
Accumulated Surplus	1,283,363	(47,766)	1,235,597
Revaluation Reserves	1,104,670	(13,866)	1,090,804
Total equity	2,388,033	(61,632)	2,326,401

G4-1 Correction of errors (continued)

Income Statement

	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
\$ '000			
Depreciation and Amortisation	30,257	291	30,548
Total expenses from continuing operations	251,291	291	251,582
Net operating result for the year	29,794	(291)	29,503

Statement of Comprehensive Income

	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
\$ '000			
Net operating result for the year	29,794	(291)	29,503
Total comprehensive income for the year	335,651	(291)	335,360

G5 Statement of developer contributions as at 30 June 2021

G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	611	107	–	8	(107)	(28)	591	3,591
Roads	4,137	196	–	7	(189)	(70)	4,081	2,289
Parking	–	90	–	–	(90)	–	–	–
Open space	44,606	3,252	–	331	(4,198)	88	44,079	(4,130)
Community facilities	563	148	–	(1)	–	(42)	668	(959)
Other	464	720	–	(3)	(919)	52	314	(791)
S7.11 contributions – under a plan	50,381	4,513	–	342	(5,503)	–	49,733	–
S7.12 levies – under a plan	–	576	–	1	–	–	577	–
Total S7.11 and S7.12 revenue under plans	50,381	5,089	–	343	(5,503)	–	50,310	–
S7.4 planning agreements	–	154	850	–	(86)	–	68	–
Total contributions	50,381	5,243	850	343	(5,589)	–	50,378	–

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 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Civic Improvement Plan								
Parking	–	90	–	–	(90)	–	–	–
Other	–	440	–	–	(440)	–	–	–
Total	–	530	–	–	(530)	–	–	–
Claremont Meadows								
Drainage	–	–	–	–	–	–	–	3,987
Roads	–	–	–	–	–	–	–	(652)
Open space	–	–	–	–	–	–	–	(323)
Community facilities	–	–	–	–	–	–	–	(1,615)
Other	–	–	–	–	–	–	–	(1,397)
Total	–	–	–	–	–	–	–	–
Cultural Facilities								
Other	–	225	–	–	(225)	–	–	–
Total	–	225	–	–	(225)	–	–	–
Erskine Business Park								
Drainage	611	–	–	8	–	(28)	591	(549)
Roads	–	–	–	(2)	–	2	–	288
Other	–	–	–	(2)	(24)	26	–	261
Total	611	–	–	4	(24)	–	591	–
Glenmore Park Stage 2								
Roads	38	7	–	1	–	(46)	–	(69)
Open space	–	231	–	5	(324)	88	–	(587)
Community facilities	–	148	–	(5)	–	(42)	101	656
Other	19	20	–	–	(23)	–	16	–
Total	57	406	–	1	(347)	–	117	–
Kingswood Neighbourhood Centre								
Other	120	–	–	1	(121)	–	–	–
Total	120	–	–	1	(121)	–	–	–

G5-2 Developer contributions by plan (continued)

	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
\$ '000		Cash	Non-cash					
Lambridge Estate								
Drainage	—	107	—	—	(107)	—	—	150
Roads	—	189	—	—	(189)	—	—	2
Open space	—	—	—	—	—	—	—	(152)
Other	—	3	—	—	(3)	—	—	—
Total	—	299	—	—	(299)	—	—	—
Penrith City District Open Space								
Open space	38,554	2,419	—	262	(3,202)	—	38,033	(116)
Other	204	26	—	—	(29)	—	201	116
Total	38,758	2,445	—	262	(3,231)	—	38,234	—
Penrith City Local Open Space								
Open space	3,089	602	—	22	(442)	—	3,271	(2)
Other	56	6	—	—	(5)	—	57	2
Total	3,145	608	—	22	(447)	—	3,328	—
Waterside								
Roads	27	—	—	—	—	—	27	12
Open space	174	—	—	1	—	—	175	(12)
Other	42	—	—	1	(3)	—	40	—
Total	243	—	—	2	(3)	—	242	—
Werrington Enterprise Living and Learning (WELL)								
Drainage	—	—	—	—	—	—	—	3
Roads	4,072	—	—	8	—	(26)	4,054	2,708
Open space	2,789	—	—	41	(230)	—	2,600	(2,938)
Community facilities	563	—	—	4	—	—	567	—
Other	23	—	—	(3)	(46)	26	—	227
Total	7,447	—	—	50	(276)	—	7,221	—

G5-2 Developer contributions by plan (continued)

S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Citywide Non-Residential Development								
Drainage	—	271	—	—	—	—	271	—
Roads	—	173	—	1	—	—	174	—
Other	—	132	—	—	—	—	132	—
Total	—	576	—	1	—	—	577	—

G5-3 S7.4 planning agreements

Planning Agreements

Other	–	154	850	–	(86)	–	68	–
Total	–	154	850	–	(86)	–	68	–

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 20202019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2, 3}	(20,441)	(8.08)%	(0.32)%	5.80%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	253,016				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	219,807	74.34%	77.37%	70.75%	> 60.00%
Total continuing operating revenue ¹	295,680				
3. Unrestricted current ratio					
Current assets less all external restrictions	101,687	2.49x	2.45x	3.07x	> 1.50x
Current liabilities less specific purpose liabilities	40,896				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ^{1, 4}	24,826	2.62x	2.67x	3.30x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	9,476				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	8,451	4.68%	4.12%	3.37%	< 5.00%
Rates and annual charges collectable	180,581				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	137,251	6.81	7.54	8.32	> 3.00
Monthly payments from cash flow of operating and financing activities	20,142	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 depreciation expense has been restated due to prior year error adjustment - refer Note G4-1.

(4) Prior year operating result has been restated due to prior year error adjustment - refer Note G4-1



Mayor
Penrith City Council
PO Box 60
PENRITH NSW 2751

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: D2120488/1777

28 October 2021

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Penrith City Council**

I have audited the general purpose financial statements (GPFS) of Penrith City Council (the Council) for the year ended 30 June 2021 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2021 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2021	2020*	Variance
	\$m	\$m	%
Rates and annual charges revenue	173.4	165.5	4.8
Grants and contributions revenue	75.9	62.4	21.6
Operating result from continuing operations	24.8	29.5	15.9
Net operating result before capital grants and contributions	(17.9)	3.3	642.4

* The 2020 comparatives have been restated to correct a prior period error. Note G4-1 of the financial statements provides details of the prior period.

Rates and annual charges revenue (\$173.4 million) increased by \$7.9 million (4.8 per cent) in 2020–21 due primarily to \$1.3 million increase in domestic waste charges, rate peg of 2.6 per cent, subdivisions, land releases and re-zonings.

Grants and contributions revenue (\$75.9 million) increased by \$13.5 million (21.6 per cent) due to:

- \$16.4 million increase in capital grants and contributions arising from capital grants for COVID-19 stimulus measures and higher non-cash subdivider dedications
- offset by \$2.9 million decrease in operating grants and contributions.

The Council's operating result from continuing operations (\$24.8 million including depreciation and amortisation expense of \$44.3 million) was \$4.7 million lower than the 2019–20 result. This was mainly due to:

- \$13.7 million increase in depreciation expense due to cumulative revaluation increments, higher capital works and revision of useful lives for roads and stormwater drainage assets
- \$4.4 million decrease in other revenue as there was a \$5.1 million fair value increment on investment properties in 2019–20
- partly offset by increases in rates and annual charges, and grants and contributions.

The net operating result before capital grants and contributions (loss of \$17.9 million) was \$21.2 million lower than the 2019–20 result:

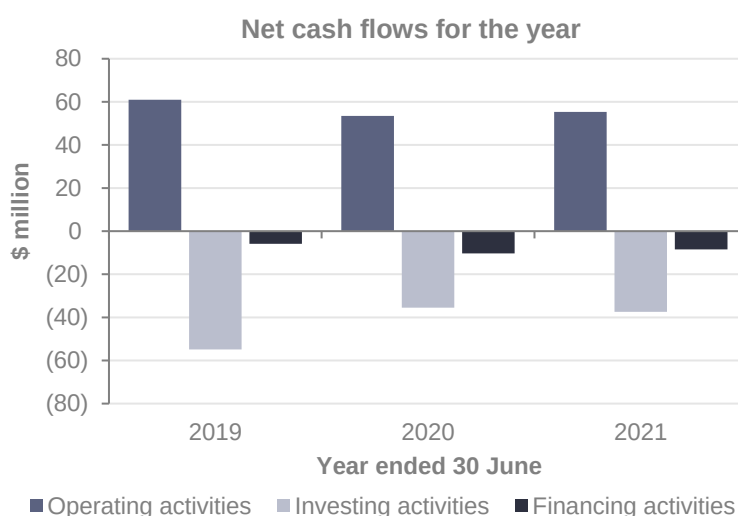
STATEMENT OF CASH FLOWS

Cash balances have increased due to:

- increased grants and contributions received, including amounts included in contract liabilities
- maturity of investments that were not reinvested.

Net cash flows from operating activities increased by \$1.8 million.

Net cash used in investing activities increased by \$1.8 million and financing activities decreased by \$1.8 million



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	157.0	162.7	Externally restricted balances include developer contributions and domestic waste management charges.
Restricted cash and investments:			
• External restrictions	85.1	77.9	Balances are internally restricted due to Council policy or decisions for forward plans including capital works program.
• Internal restrictions	66.2	82.8	

Debt

At 30 June 2021, Council had:

- \$25.8 million in secured loans (\$34.2 million in 2019–20)
- \$0.5 million approved bank overdraft with nil drawn down.

PERFORMANCE

Performance measures

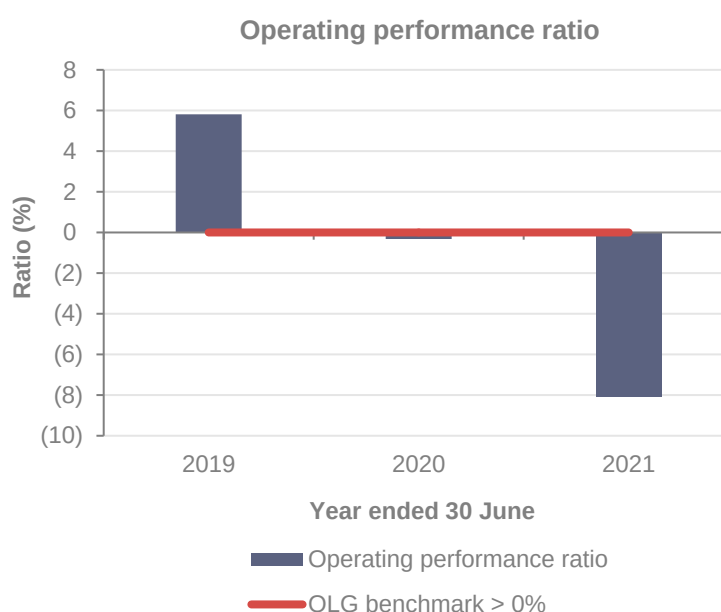
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

Council has not met this benchmark for 2020–21. The decrease is mainly due to an increase in depreciation expense and COVID-19 impacts.

The 2020 ratio was restated to correct a prior period error.

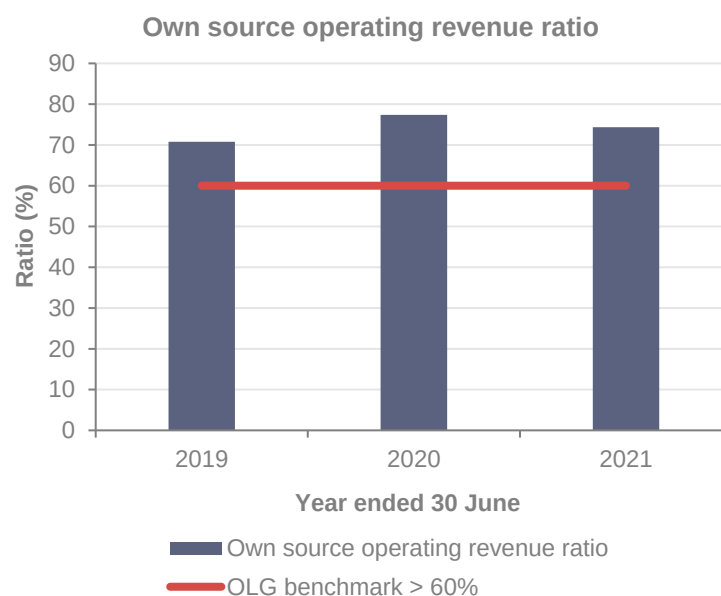
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

The Council exceeded the OLG benchmark for the current year.

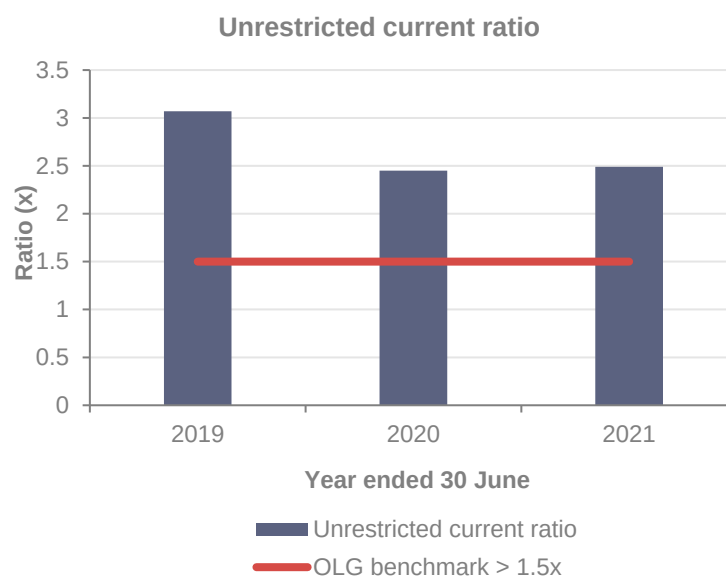
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

The Council exceeded the OLG benchmark for the current year.

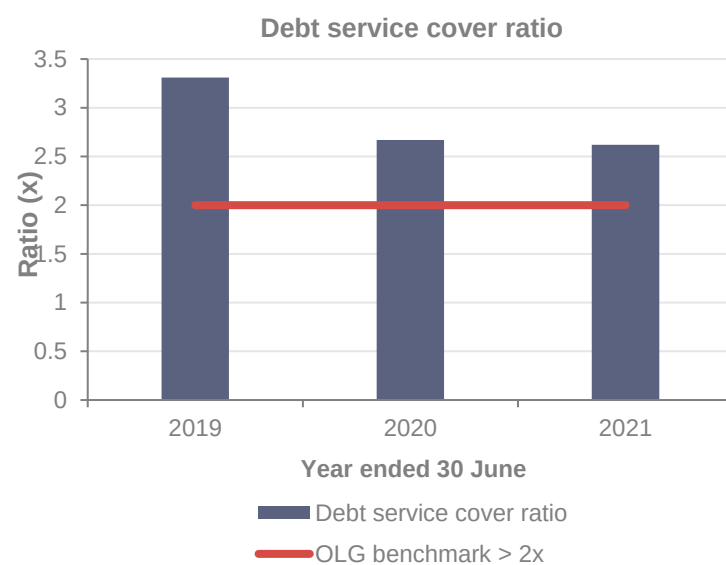
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council exceeded the OLG benchmark for the current year.

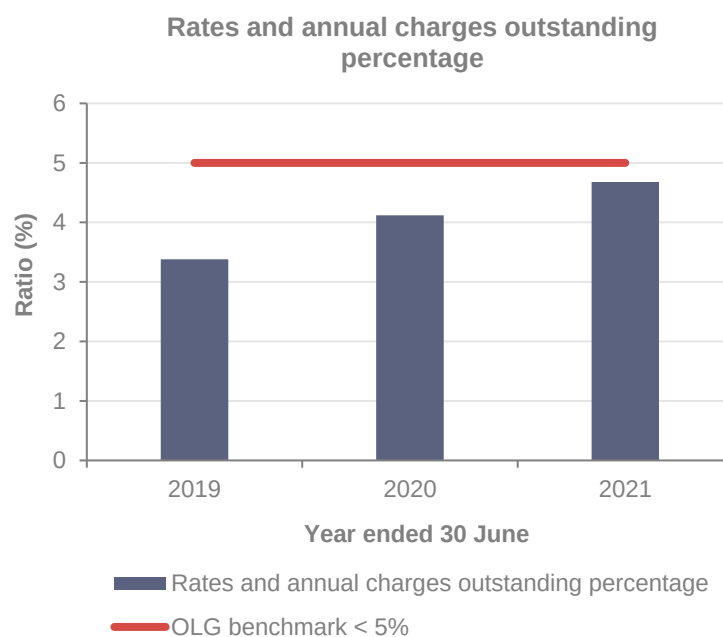
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council continues to be within the OLG benchmark for the current year.

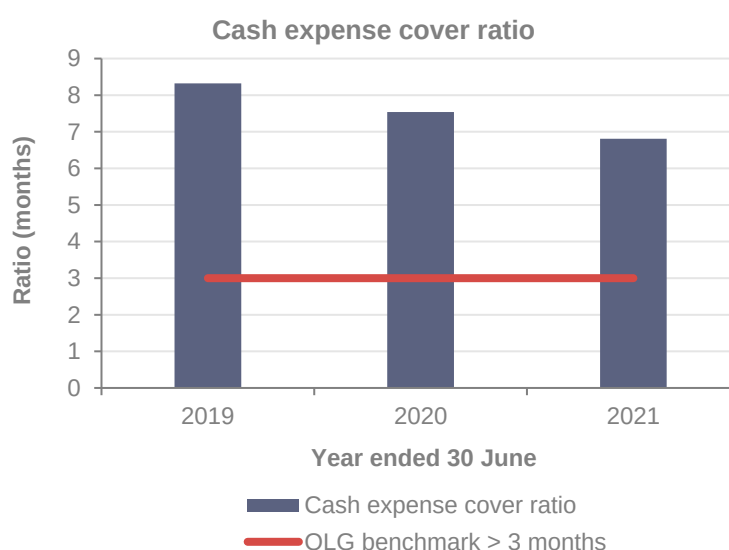
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

The Council exceeded the OLG benchmark for the current year.

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



Infrastructure, property, plant and equipment renewals

Council's performance is as follows:

- asset renewals were \$31.0 million in 2020–21 (\$21.1 million in 2019–20), including \$11.2 million on buildings and \$13.0 million on road renewals
- new assets additions were \$51.4 million in 2020–21 (\$32.2 million in 2019–20) including \$16.2 million on roads and \$8.7 million on stormwater drainage infrastructure.

OTHER MATTERS

Impact of new accounting standards

The Council assessed the impact of adopting AASB 1059 Service Concession Arrangements and determined that it did not have any arrangements in place that fell within the scope of the new Standard.

Legislative compliance

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

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



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Penrith City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*A sustainable and prosperous Regional City with a harmony
of urban and rural qualities.*

PENRITH
CITY COUNCIL

Special Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of Children's Services	4
Income Statement of Property Development	5
Income Statement of Penrith Whitewater Stadium	6
Income Statement of Penrith Performing and Visual Arts Ltd	7
Statement of Financial Position of Children's Services	8
Statement of Financial Position of Property Development	9
Statement of Financial Position of Penrith Whitewater Stadium	10
Statement of Financial Position of Penrith Performing and Visual Arts Ltd	11
Note – Significant Accounting Policies	12
Auditor's Report on Special Purpose Financial Statements	15

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 2021

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:

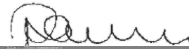
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 25 October 2021.



Clr Karen McKeown OAM
Mayor
25 October 2021



Clr Tricia Hitchen
Deputy Mayor
25 October 2021



Warwick Winn
General Manager
25 October 2021



Andrew Moore
Responsible Accounting Officer
25 October 2021

Penrith City Council

Income Statement of Children's Services

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	7,558	5,629
Grants and contributions provided for non-capital purposes	17,437	20,376
Other income	223	37
Total income from continuing operations	25,218	26,042
Expenses from continuing operations		
Employee benefits and on-costs	23,502	22,899
Materials and services	1,089	1,155
Calculated taxation equivalents	1,082	1,133
Debt guarantee fee (if applicable)	679	252
Imputed rental	259	40
Other expenses	1,272	1,089
Total expenses from continuing operations	27,883	26,568
Surplus (deficit) from continuing operations before capital amounts	(2,665)	(526)
Surplus (deficit) from continuing operations after capital amounts	(2,665)	(526)
Surplus (deficit) from all operations before tax	(2,665)	(526)
Surplus (deficit) after tax	(2,665)	(526)
Plus accumulated surplus	1,483	6,962
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1,082	1,133
– Debt guarantee fees	679	252
– Imputed Rental	259	40
Add:		
– Subsidy paid/contribution to operations	226	(6,378)
Closing accumulated surplus	1,064	1,483
Subsidy from Council	2,665	526

Penrith City Council

Income Statement of Property Development

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	3,717	3,094
Interest	91	327
Profit from the sale of assets	2,184	–
Total income from continuing operations	5,992	3,421
Expenses from continuing operations		
Employee benefits and on-costs	1,981	1,805
Borrowing costs	–	144
Materials and services	1,720	900
Depreciation, amortisation and impairment	164	237
Calculated taxation equivalents	1,412	1,344
Debt guarantee fee (if applicable)	12	29
Other expenses	597	592
Total expenses from continuing operations	5,886	5,051
Surplus (deficit) from continuing operations before capital amounts	106	(1,630)
Surplus (deficit) from continuing operations after capital amounts	106	(1,630)
Surplus (deficit) from all operations before tax	106	(1,630)
Less: corporate taxation equivalent [based on result before capital]	(28)	–
Surplus (deficit) after tax	78	(1,630)
Plus accumulated surplus	102,006	30,347
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1,412	1,434
– Debt guarantee fees	12	29
– Subsidy paid/contribution to operations	656	71,826
Less:		
Closing accumulated surplus	104,164	102,006
Return on capital %	0.1%	(1.7)%
Subsidy from Council	1,266	2,247

Penrith City Council

Income Statement of Penrith Whitewater Stadium

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	587	903
Total income from continuing operations	587	903
Expenses from continuing operations		
Employee benefits and on-costs	418	559
Materials and services	232	75
Depreciation, amortisation and impairment	91	98
Other expenses	–	339
Total expenses from continuing operations	741	1,071
Surplus (deficit) from continuing operations before capital amounts	(154)	(168)
Surplus (deficit) from continuing operations after capital amounts	(154)	(168)
Surplus (deficit) from all operations before tax	(154)	(168)
Surplus (deficit) after tax	(154)	(168)
Plus accumulated surplus	554	602
Add:		
– Subsidy paid/contribution to operations	550	120
Closing accumulated surplus	950	554
Return on capital %	(22.4)%	(22.4)%
Subsidy from Council	164	55

Penrith City Council

Income Statement of Penrith Performing and Visual Arts Ltd

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	976	1,182
Interest	4	9
Grants and contributions provided for non-capital purposes	449	558
Total income from continuing operations	1,429	1,749
Expenses from continuing operations		
Employee benefits and on-costs	2,059	2,409
Materials and services	1,098	858
Depreciation, amortisation and impairment	119	103
Calculated taxation equivalents	42	85
Imputed rental	633	380
Other expenses	(5)	363
Total expenses from continuing operations	3,946	4,198
Surplus (deficit) from continuing operations before capital amounts	(2,517)	(2,449)
Surplus (deficit) from continuing operations after capital amounts	(2,517)	(2,449)
Surplus (deficit) from all operations before tax	(2,517)	(2,449)
Surplus (deficit) after tax	(2,517)	(2,449)
Plus accumulated surplus	2,295	2,144
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	42	85
– Imputed rental	633	380
Add:		
– Subsidy paid/contribution to operations	2,281	2,135
Closing accumulated surplus	2,734	2,295
Return on capital %	(123.3)%	(116.9)%
Subsidy from Council	2,547	282

Penrith City Council

Statement of Financial Position of Childrens' Services

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Investments	1,604	1,694
Receivables	99	39
Total current assets	1,703	1,733
Total assets	1,703	1,733
LIABILITIES		
Current liabilities		
Payables	639	250
Total current liabilities	639	250
Total liabilities	639	250
Net assets	1,064	1,483
EQUITY		
Accumulated surplus	1,064	1,483
Total equity	1,064	1,483

Penrith City Council

Statement of Financial Position of Property Development

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Investments	12,984	17,559
Other	23	32
Total current assets	13,007	17,591
Non-current assets		
Infrastructure, property, plant and equipment	92,062	86,462
Total non-current assets	92,062	86,462
Total assets	105,069	104,053
LIABILITIES		
Current liabilities		
Payables	110	117
Borrowings	495	1,070
Total current liabilities	605	1,187
Non-current liabilities		
Borrowings	300	860
Total non-current liabilities	300	860
Total liabilities	905	2,047
Net assets	104,164	102,006
EQUITY		
Accumulated surplus	39,407	30,180
Revaluation reserves	64,757	71,826
Total equity	104,164	102,006

Penrith City Council

Statement of Financial Position of Penrith Whitewater Stadium

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	597	120
Investments	161	81
Receivables	9	11
Inventories	11	12
Total current assets	778	224
Non-current assets		
Infrastructure, property, plant and equipment	688	751
Total non-current assets	688	751
Total assets	1,466	975
LIABILITIES		
Current liabilities		
Contract liabilities	109	79
Payables	40	65
Employee benefit provisions	367	277
Total current liabilities	516	421
Total liabilities	516	421
Net assets	950	554
EQUITY		
Accumulated surplus	950	554
Total equity	950	554

Penrith City Council

Statement of Financial Position of Penrith Performing and Visual Arts Ltd as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	1,836	60
Investments	373	1,177
Inventories	15	11
Other	47	53
Total current assets	2,271	1,301
Non-current assets		
Infrastructure, property, plant and equipment	2,041	2,095
Total non-current assets	2,041	2,095
Total assets	4,312	3,396
LIABILITIES		
Current liabilities		
Payables	387	160
Contract liabilities	862	589
Employee benefit provisions	160	131
Total current liabilities	1,409	880
Non-current liabilities		
Employee benefit provisions	169	221
Total non-current liabilities	169	221
Total liabilities	1,578	1,101
Net assets	2,734	2,295
EQUITY		
Accumulated surplus	2,734	2,295
Total equity	2,734	2,295

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	26% (19/20 27.5%) Lower company tax rate for base rate entities under the \$50m threshold.
Land tax	The first \$755,000 of combined land values attracts 0%. For the combined land values in excess of \$755,001 up to \$4,616,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of 2.0% applies.
Payroll tax	4.85% on the value of taxable salaries and wages in excess of \$1,200,000.

Income tax

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

Note – Significant Accounting Policies (continued)

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

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

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

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

The rate applied of 26% 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 1.49% at 30/6/21.

(iii) Dividends

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Penrith City Council

To the Councillors of the Penrith City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Penrith City Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Children's Services
- Property Development
- Penrith Whitewater Stadium
- Penrith Performing and Visual Arts Ltd.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Karen Taylor

Delegate of the Auditor-General for New South Wales

28 October 2021
SYDNEY

Penrith City Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

*A sustainable and prosperous Regional City with a harmony
of urban and rural qualities.*

PENRITH
CITY COUNCIL

Contents	Page
Special Schedules¹:	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2021	4

1 Special Schedules are not audited (with the exception of Permissible income for general rates).

Penrith City Council

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
Notional general income calculation ¹			
Last year notional general income yield	a	128,469	132,655
Plus or minus adjustments ²	b	1,060	4,728
Notional general income	$c = a + b$	129,529	137,383
Permissible income calculation			
Special variation percentage ³	d	2.60%	0.00%
Or rate peg percentage	e	0.00%	2.00%
Plus special variation amount	$h = d \times (c + g)$	3,368	—
Or plus rate peg amount	$i = e \times (c + g)$	—	2,748
Sub-total	$k = (c + g + h + i + j)$	132,897	140,131
Plus (or minus) last year's carry forward total	l	1	172
Less valuation objections claimed in the previous year	m	(71)	—
Sub-total	$n = (l + m)$	(70)	172
Total permissible income	$o = k + n$	132,827	140,303
Less notional general income yield	p	132,655	140,354
Catch-up or (excess) result	$q = o - p$	172	(52)
Plus income lost due to valuation objections claimed ⁴	r	—	52
Carry forward to next year ⁶	$t = q + r + s$	172	—

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.
- (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.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Penrith City Council

To the Councillors of Penrith City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Penrith City Council (the Council) for the year ending 30 June 2022.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2021'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Karen Taylor

Delegate of the Auditor-General for New South Wales

28 October 2021
SYDNEY

Penrith City Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings	4,539	4,539	4,760	4,920	218,471	306,280	7.0%	74.0%	16.0%	3.0%	0.0%
	Sub-total	4,539	4,539	4,760	4,920	218,471	306,280	7.0%	74.0%	16.0%	3.0%	0.0%
Roads	Sealed roads	9,107	9,107	6,640	7,987	559,533	714,269	11.0%	54.0%	30.0%	4.0%	1.0%
	Unsealed roads	305	305	40	—	2,615	4,808	2.0%	20.0%	60.0%	10.0%	8.0%
	Bridges	3,007	3,007	720	—	43,052	72,990	46.0%	16.0%	15.0%	23.0%	0.0%
	Footpaths	1,031	1,031	1,580	379	84,512	147,354	38.4%	41.4%	19.3%	0.8%	0.2%
	Other road assets	5,000	5,000	3,900	1,021	213,045	419,723	40.0%	22.0%	28.0%	7.0%	3.0%
	Sub-total	18,450	18,450	12,880	9,387	902,757	1,359,144	24.8%	40.6%	27.5%	5.6%	1.5%
Stormwater drainage	Stormwater drainage	5,000	5,000	2,600	2,194	528,765	763,706	12.0%	33.0%	41.0%	10.0%	4.0%
	Sub-total	5,000	5,000	2,600	2,194	528,765	763,706	12.0%	33.0%	41.0%	10.0%	4.0%
Total – all assets		27,989	27,989	20,240	16,501	1,665,865	2,429,130	18.5%	42.4%	30.3%	6.7%	2.1%

(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

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Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	25,602	72.38%	91.06%	71.69%	>= 100.00%
Depreciation, amortisation and impairment	35,373				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	27,989	1.68%	1.49%	1.67%	< 2.00%
Net carrying amount of infrastructure assets	1,661,195				
Asset maintenance ratio					
Actual asset maintenance	16,501	81.53%	104.24%	98.28%	> 100.00%
Required asset maintenance	20,240				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	27,989	1.15%	0.94%	0.99%	
Gross replacement cost	2,428,872				

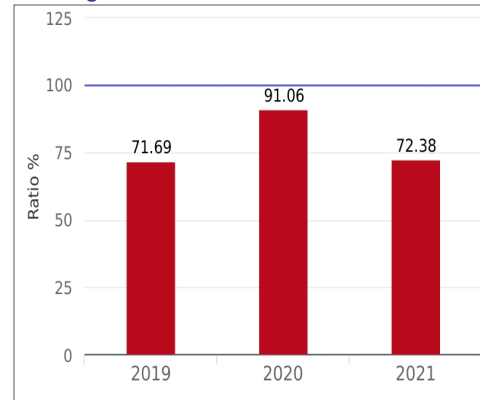
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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 2021

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

20/21 ratio 72.38%

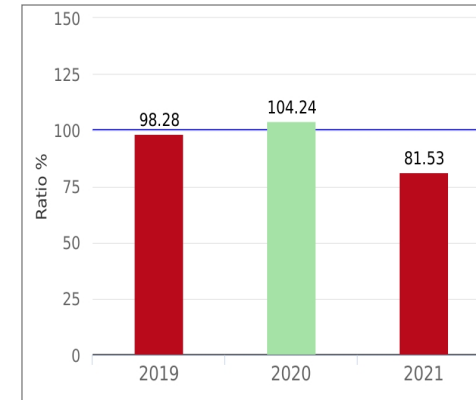
Benchmark: — $\geq 100.00\%$

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

20/21 ratio 81.53%

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

20/21 ratio 1.68%

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

20/21 ratio 1.15%