

Positively
PENRITH

Financial Statements



2022-23

 PENRITH
CITY COUNCIL

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Penrith City Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2023

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

PENRITH
CITY COUNCIL

Penrith City Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Overview

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

601 High St
Penrith NSW 2750

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

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

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

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

Penrith City Council

General Purpose Financial Statements

for the year ended 30 June 2023

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

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

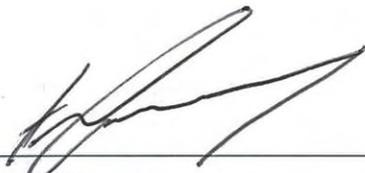
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 23 October 2023.



Clr Todd Carney
Mayor
23 October 2023



Clr Mark Davies
Deputy Mayor
23 October 2023



Andrew Moore
General Manager
23 October 2023



Matthew Bullivant
Responsible Accounting Officer
23 October 2023

Penrith City Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Income from continuing operations				
188,571	Rates and annual charges	B2-1	186,830	180,206
45,485	User charges and fees	B2-2	44,531	37,856
2,177	Other revenues	B2-3	8,425	3,727
9,130	Grants and contributions provided for operating purposes	B2-4	30,287	35,754
42,806	Grants and contributions provided for capital purposes	B2-4	76,321	70,840
3,175	Interest and investment income	B2-5	8,237	1,795
4,370	Other income	B2-6	7,953	5,063
–	Net gain from the disposal of assets	B4-1	–	10,721
295,714	Total income from continuing operations		362,584	345,962
Expenses from continuing operations				
136,015	Employee benefits and on-costs	B3-1	126,861	122,247
78,860	Materials and services	B3-2	97,064	84,305
1,233	Borrowing costs	B3-3	1,529	944
47,328	Depreciation, amortisation and impairment of non-financial assets	B3-4	56,631	47,271
13,195	Other expenses	B3-5	13,988	12,142
554	Net loss from the disposal of assets	B4-1	4,126	–
277,185	Total expenses from continuing operations		300,199	266,909
18,529	Operating result from continuing operations		62,385	79,053
18,529	Net operating result for the year attributable to Council		62,385	79,053
(24,277)	Net operating result for the year before grants and contributions provided for capital purposes		(13,936)	8,213

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 2023

\$ '000	Notes	2023	2022
Net operating result for the year – from Income Statement		62,385	79,053
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	887,517	325,263
Total items which will not be reclassified subsequently to the operating result		887,517	325,263
Total other comprehensive income for the year		887,517	325,263
Total comprehensive income for the year attributable to Council		949,902	404,316

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 2023

\$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	16,655	13,240
Investments	C1-2	164,434	149,651
Receivables	C1-4	17,513	14,127
Inventories	C1-5	751	735
Contract assets and contract cost assets	C1-6	15,038	24,749
Other	C1-11	4,379	10,884
Total current assets		218,770	213,386
Non-current assets			
Investments	C1-2	48,529	58,298
Receivables	C1-4	3,309	3,859
Infrastructure, property, plant and equipment (IPPE)	C1-8	3,631,878	2,697,356
Investment property	C1-9	97,939	43,001
Intangible assets	C1-10	423	486
Right of use assets	C2-1	22	69
Total non-current assets		3,782,100	2,803,069
Total assets		4,000,870	3,016,455
LIABILITIES			
Current liabilities			
Payables	C3-1	49,205	40,008
Contract liabilities	C3-2	21,405	22,999
Lease liabilities	C2-1	16	47
Borrowings	C3-3	5,653	6,526
Employee benefit provisions	C3-4	36,884	36,978
Provisions	C3-5	503	725
Total current liabilities		113,666	107,283
Non-current liabilities			
Contract liabilities	C3-2	23,300	23,300
Lease liabilities	C2-1	6	21
Borrowings	C3-3	64,802	36,654
Employee benefit provisions	C3-4	1,259	1,262
Total non-current liabilities		89,367	61,237
Total liabilities		203,033	168,520
Net assets		3,797,837	2,847,935
EQUITY			
Accumulated surplus		1,401,825	1,339,440
IPPE revaluation reserve	C4-1	2,396,012	1,508,495
Council equity interest		3,797,837	2,847,935
Total equity		3,797,837	2,847,935

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 2023

\$ '000	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		1,339,440	1,508,495	2,847,935	1,260,387	1,183,232	2,443,619
Net operating result for the year		62,385	–	62,385	79,053	–	79,053
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	887,517	887,517	–	325,263	325,263
Other comprehensive income		–	887,517	887,517	–	325,263	325,263
Total comprehensive income		62,385	887,517	949,902	79,053	325,263	404,316
Closing balance at 30 June		1,401,825	2,396,012	3,797,837	1,339,440	1,508,495	2,847,935

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 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Cash flows from operating activities				
<i>Receipts:</i>				
188,571	Rates and annual charges		187,404	179,416
45,485	User charges and fees		42,781	37,821
3,175	Interest received		5,209	1,392
50,754	Grants and contributions		99,328	90,244
6,500	Bonds, deposits and retentions received		7,451	5,778
7,430	Other		12,303	6,546
<i>Payments:</i>				
(135,975)	Payments to employees		(126,906)	(119,989)
(78,740)	Payments for materials and services		(95,285)	(86,725)
(1,233)	Borrowing costs		(1,529)	(944)
(4,500)	Bonds, deposits and retentions refunded		(5,135)	(4,028)
(13,104)	Other		(3,013)	(8,254)
68,363	Net cash flows from operating activities	G1-1	122,608	101,257
Cash flows from investing activities				
<i>Receipts:</i>				
3,900	Sale of investment		3,900	–
130,000	Redemption of term deposits		128,203	139,000
4,993	Proceeds from sale of IPPE		5,528	19,708
81	Deferred debtors receipts		78	–
<i>Payments:</i>				
–	Purchase of investment		(4,697)	(8,319)
(130,000)	Acquisition of term deposits		(131,492)	(205,001)
(51,000)	Purchase of investment property		(52,100)	(1,526)
(107,718)	Payments for IPPE		(95,841)	(72,241)
–	Deferred debtors and advances made		–	(62)
(149,744)	Net cash flows from investing activities		(146,421)	(128,441)
Cash flows from financing activities				
<i>Receipts:</i>				
37,800	Proceeds from borrowings		33,800	24,000
<i>Payments:</i>				
(7,560)	Repayment of borrowings		(6,525)	(6,608)
(47)	Principal component of lease payments		(47)	(75)
30,193	Net cash flows from financing activities		27,228	17,317
(51,188)	Net change in cash and cash equivalents		3,415	(9,867)
13,240	Cash and cash equivalents at beginning of year		13,240	23,107
(37,948)	Cash and cash equivalents at end of year	C1-1	16,655	13,240
212,963	plus: Investments on hand at end of year	C1-2	212,963	207,949
175,015	Total cash, cash equivalents and investments		229,618	221,189

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

Penrith City Council

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Penrith City Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 23 October 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- i. estimated fair values of investment property – refer Note C1-9
- ii. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- iii. employee benefit provisions and on-cost – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

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

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/activities have been included as part of the Consolidated Fund:

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

A1-1 Basis of preparation (continued)

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.355 Committees, these services cannot be reliably measured and have not been included in the financial statements. Donated items and services including advertising and bus transportation at events, are included in the statements as these can be valued using ordinary supplier rates.

New accounting standards and interpretations issued but not yet effective

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 2023 reporting period.

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

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

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 2023.

- AASB 2022-3 *Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15*
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018 – 2020 and Other Amendments*

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions or activities										
Animal Services	484	–	1,299	–	(815)	–	–	–	17	–
Aquatic and Leisure Services	4,868	2,855	7,731	6,996	(2,863)	(4,141)	–	–	26,760	27,875
Business Improvement	–	–	730	1,145	(730)	(1,145)	–	–	–	4,964
Business System	–	–	1,150	978	(1,150)	(978)	–	–	1	–
Cemeteries	886	848	883	885	3	(37)	–	–	2,397	2,042
Children's Services	33,094	30,328	33,438	30,288	(344)	40	7,588	6,129	59,629	39,036
City Economy and Marketing	–	–	1,001	1,150	(1,001)	(1,150)	–	–	–	–
City Planning	25,540	12,163	3,489	2,953	22,051	9,210	22,602	12,945	1,102	4
City Strategy	–	52	2,035	1,986	(2,035)	(1,934)	–	52	–	–
Civil Maintenance, Renewal and Construction	35,222	33,549	52,761	43,658	(17,539)	(10,109)	32,502	27,551	1,755,057	1,667,484
Communications	86	–	2,993	2,424	(2,907)	(2,424)	86	–	–	30
Community Facilities and Recreation Operations	1,794	728	1,602	1,369	192	(641)	899	358	99,306	44,775
Community Facilities and Recreation Planning	10,185	4,405	1,916	1,789	8,269	2,616	9,615	4,365	10,828	40,075
Community Resilience (Community Safety)	1	488	494	492	(493)	(4)	1	488	961	834
Community Resilience (Neighbourhood Renewal)	1,068	456	2,020	1,788	(952)	(1,332)	205	497	640	5,056
Corporate Strategy and Performance	–	–	896	914	(896)	(914)	–	–	–	–
Council and Corporate Governance	2	1	1,307	2,767	(1,305)	(2,766)	–	–	94	53
Customer Experience	–	–	3,012	2,815	(3,012)	(2,815)	–	–	132	195
Data and Visualisation	–	–	881	783	(881)	(783)	–	–	–	41
Design & Projects	6,143	19,864	14,005	7,585	(7,862)	12,279	5,896	19,864	2,749	1,714
Development Applications	2,802	3,406	6,120	5,435	(3,318)	(2,029)	112	343	26	33
Development Compliance	284	703	2,235	2,009	(1,951)	(1,306)	–	–	–	–
Development Engineering	341	273	1,520	1,675	(1,179)	(1,402)	–	–	–	–
Divisional Assurance (City Services)	–	34	909	880	(909)	(846)	–	29	–	–
Emergency Services Management	1,428	4,848	4,214	3,088	(2,786)	1,760	1,428	4,880	15,539	13,314
Environment Health (Biodiversity)	171	418	2,120	3,269	(1,949)	(2,851)	–	–	22	480
Environmental Health (Public Health)	590	–	1,484	–	(894)	–	–	–	–	–
Executive Services	–	109	4,928	4,489	(4,928)	(4,380)	–	–	141	1,140

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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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Fire Safety and Certification	788	712	1,760	1,718	(972)	(1,006)	-	-	-	-
Fleet and Plant Management	1,311	1,686	2,768	1,969	(1,457)	(283)	-	-	14,484	13,886
Floodplain & Stormwater Management	204	209	1,438	1,040	(1,234)	(831)	135	136	-	816
Information Management	-	-	408	(57)	(408)	57	-	-	430	-
Information Technology	-	-	3,639	3,780	(3,639)	(3,780)	-	-	1,334	2,046
Insurance and Risk Management	473	513	339	964	134	(451)	-	63	-	-
Internal Audit	-	-	457	466	(457)	(466)	-	-	-	-
Legal Services	198	979	1,415	1,636	(1,217)	(657)	-	-	-	-
Libraries	787	651	7,065	6,653	(6,278)	(6,002)	682	630	8,277	6,859
Nursery and Bush Care	406	-	1,090	-	(684)	-	386	252	-	-
Penrith Performing & Visual Arts	2,228	1,877	5,073	4,175	(2,845)	(2,298)	607	1,085	46,428	41,095
Penrith Whitewater Stadium	1,351	461	2,118	960	(767)	(499)	-	-	1,105	4
People and Culture	548	681	5,411	5,169	(4,863)	(4,488)	182	233	6	541
Place and Activation	944	41	1,809	553	(865)	(512)	944	-	982	110
Project Management Office (PMO)	-	-	280	-	(280)	-	-	-	-	-
Property Development & Management	11,896	12,271	3,909	5,459	7,987	6,812	1,446	1,528	169,546	99,415
Public Space Maintenance (Buildings)	1,019	-	17,950	11,351	(16,931)	(11,351)	1,019	777	113,029	113,966
Public Space Maintenance (City Services)	6	11	18,133	16,744	(18,127)	(16,733)	-	-	1,354,183	516,121
Public Space Maintenance (Cross City Services)	573	426	10,083	10,731	(9,510)	(10,305)	571	647	25,420	26,506
Purchasing & Supply	10	2	1,228	1,186	(1,218)	(1,184)	-	-	-	-
Rangers Services	2,350	1,135	2,226	2,845	124	(1,710)	-	-	-	17
Regional Illegal Dumping (RID)	1,282	1,495	1,447	1,645	(165)	(150)	1,138	1,294	102	138
Resilience	4	-	491	-	(487)	-	-	-	12	-
Social Strategy	180	1,789	1,714	2,972	(1,534)	(1,183)	174	947	5,533	-
Strategic Asset Management Planning	1,437	5,842	3,935	4,033	(2,498)	1,809	1,438	5,842	593	751
Sustainability	10	12	537	731	(527)	(719)	-	-	-	-
Tourism and International Partnerships	-	31	1,100	1,071	(1,100)	(1,040)	-	30	-	-
Traffic Management, Parking & Road Safety	137	1,087	2,008	1,982	(1,871)	(895)	137	1,087	602	19,519
Waste Avoidance & Resource Recovery	40,498	38,983	38,080	38,616	2,418	367	1,019	724	876	1,068
General Revenue	168,955	159,540	5,115	4,907	163,840	154,633	15,796	13,818	282,527	324,452
Total functions and activities	362,584	345,962	300,199	266,909	62,385	79,053	106,608	106,594	4,000,870	3,016,455

B1-2 Components of functions or activities

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

Animal Services

Animal Services provide management and regulatory framework for companion animals and livestock. Service activities include enforcement of regulatory compliance issues, police liaison, infringement management, local emergency response, impounding and collection service, facility for companion animals and livestock, registration, micro chipping, dog attack and complaint investigations and delivering education programs.

Aquatic and Leisure Services

The Aquatic and Leisure Service offers a wide range of recreational and sporting activities for the Penrith LGA, with both wet and dry fitness and recreation facilities. Users can enjoy various fitness programs, including gymnasium, aerobics, and hydrotherapy, as well as access leisure centres, public spaces, and sporting opportunities.

Business Improvements

Business Improvement function is dedicated to elevating standards and is responsible for a consistent and effective business excellence framework, as well as executing programs and initiatives aligned with the adopted frameworks and practices to foster innovation and growth.

Business Systems

Business Systems maintains the seamless functioning of Councils corporate information management systems and offers support by continually exploring and interpreting innovative and improved systems and procedures, aligning them with the Councils progressive 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 provide both facilities and children's centres, as well as staff, resources, and support to implement Children's Services programs for the benefit of families and children across the City. Children's Services assist with 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, Mobile Play Van service, Inclusion Support programs and Children's Services planning and advocacy.

City Economy and Marketing

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

City Planning

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

City Strategy

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

B1-2 Components of functions or activities (continued)

Civil Maintenance, Renewal and Constructions

The Civil Construction & Maintenance Service constructs Council's civil assets including roads, car parks, path paving and 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. The service also 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 of the Council effectively manages issues that affect the Council and its policies, while maintaining strong relationships with the media. This includes promoting Council services, providing staff media training, speech writing and other activities that spread awareness of Council policies.

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, as well as 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 Strategy and Performance

The Corporate Strategy and Performance 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

Customer Service provides both 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.

Data and Visualisation

Data and Visualisation 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.

B1-2 Components of functions or activities (continued)

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.

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.

Development Engineering

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

Divisional Assurance (City Services)

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.

Emergency Services Management

The 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.

Environmental Health (Biodiversity)

Environmental Health (Biodiversity) 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 Health (Public Health)

Environmental Health (Public Health) 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 on-site sewage management, water quality monitoring, environmental and land use compliance programs, environmental assessment of Development Applications, the regulated Health Premises Surveillance program, the Food Safety program, health promotion, planning and advocacy.

Executive Services

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

B1-2 Components of functions or activities (continued)

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.

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.

Information 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.

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 Operations and Bushcare

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.

B1-2 Components of functions or activities (continued)

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.

Place and Activation

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.

Project Management Office (PMO)

The Project Management Office is responsible for 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 (Buildings)

The Public Space Maintenance (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 (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 and preparing grant submissions.

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. This 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 Services

The Regulatory Services provide education and enforcement of on-street and council parking areas, school zones, police liaison, infringement management, local emergency response.

B1-2 Components of functions or activities (continued)

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.

Resilience

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

Social Strategy

Social Strategy 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.

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 most of Council's assets including buildings, active and passive open space areas (including sporting fields, playgrounds, parks), roads, bridges, footpaths, and drainage.

Sustainability

The Sustainability function develops strategies and coordinates programs that integrate sustainability into the planning, decision-making and operational activities of Council. 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.

Tourism and International Partnerships

The Tourism and International Partnership's function facilitates and promotes tourism, business investment and employment growth (Local & Regional) in Penrith. Its services and achievements contributes to the enhancement of the profile of Penrith City.

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	2023	2022
Ordinary rates		
Residential	111,092	109,192
Farmland	3,701	2,775
Business	31,564	28,895
Less: pensioner rebates	(1,874)	(1,867)
Rates levied to ratepayers	144,483	138,995
Pensioner rate subsidies received	975	1,005
Total ordinary rates	145,458	140,000
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	39,213	38,088
Stormwater management services	2,481	2,473
Waste management services (non-domestic)	33	34
Section 611 charges	94	96
Less: pensioner rebates (Domestic waste services)	(631)	(636)
Less: pensioner rebates (Stormwater management services)	(221)	(220)
Annual charges levied	40,969	39,835
Pensioner annual charges subsidies received:		
– Domestic waste management	403	371
Total annual charges	41,372	40,206
Total rates and annual charges	186,830	180,206

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

Accounting policy

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

\$ '000	2023	2022
User charges		
Domestic waste management services	–	9
Waste management services (non-domestic)	24	8
Total user charges	24	17
Fees		
Building Regulation	649	663
Planning and building regulation	2,852	3,274
Other regulatory/statutory fees	1,068	735
Section 10.7 certificates (EP&A Act)	462	526
Section 603 Certificates	310	388
Cemeteries	865	843
Child care	25,506	24,201
Companion animals	336	198
Halls and community centres	865	326
Performing Arts Centre/Gallery	1,591	790
Penrith Whitewater Stadium	1,350	460
Road reinstatements	2,626	2,010
Sport and recreation	601	77
Swimming centres	4,772	2,792
Other	654	556
Total fees	44,507	37,839
Total user charges and fees	44,531	37,856
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	26,383	24,611
User charges and fees recognised at a point in time	18,148	13,245
Total user charges and fees	44,531	37,856

Accounting policy

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

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

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

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

B2-3 Other revenues

\$ '000	2023	2022
Fines	2,848	1,578
Legal fees recovery	466	1,010
Purchasing / performance rebate	132	158
Insurance claims recoveries	4,890	894
Other	89	87
Total other revenue	8,425	3,727
Timing of revenue recognition for other revenue		
Other revenue recognised over time	-	-
Other revenue recognised at a point in time	8,425	3,727
Total other revenue	8,425	3,727

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 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Financial Assistance				
Prepayment received in advance for subsequent year ¹	9,627	6,793	–	–
Relating to current year	2,222	4,424	–	–
Financial Assistance - Roads Component				
Relating to current year	727	1,474	–	–
Prepayment received in advance for subsequent year ¹	3,212	2,274	–	–
Amount recognised as income during current year	15,788	14,965	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Bushfire and emergency services	292	2,153	139	1,340
Children's services	7,501	5,973	86	155
Civil construction (roads and drainage)	–	–	17,780	8,234
Community services	174	456	–	–
Cultural facilities	436	449	–	–
Design and major projects	–	4,666	5,896	6,909
Domestic waste	674	484	–	–
Library	682	630	–	–
Local infrastructure renewal scheme (LIRS)	9	41	–	–
Other contributions	589	834	645	1,158
Parks environmental management	335	189	–	–
Other specific grants	1,258	2,384	4,146	2,354
Recreation and leisure facilities management	–	–	9,455	4,361
Recreation and culture	–	4	159	8,290
RID squad	546	716	–	–
Roads maintenance	238	139	14	209
Street lighting	571	560	2	488
Traffic and transport	137	76	–	1,011
Transport for NSW contributions (regional roads, block grant)	1,057	1,035	456	456
Total special purpose grants and non-developer contributions – cash	14,499	20,789	38,778	34,965
Non-cash contributions				
Bushfire services	–	–	368	897
Subdivision Dedications (other than by s7.11)	–	–	14,603	22,032
Total other contributions – non-cash	–	–	14,971	22,929
Total special purpose grants and non-developer contributions (tied)	14,499	20,789	53,749	57,894
Total grants and non-developer contributions	30,287	35,754	53,749	57,894
Comprising:				
– Commonwealth funding	16,646	20,482	3,457	8,631
– State funding	10,536	12,060	33,985	24,485
– Other funding	3,105	3,212	16,307	24,778
	30,287	35,754	53,749	57,894

(1) \$12.839m of the 2023 – 2024 Financial Assistance Grant from Commonwealth Government was received by NSW Council in June 2023 and hence is reported as 2022 – 2023 income although it relates to 2023 – 2024 financial year.

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements	G4	–	–	10,099	57
S 7.11 – contributions towards amenities/services		–	–	5,962	8,361
S 7.12 – fixed development consent levies		–	–	4,144	2,802
Total developer contributions – cash		–	–	20,205	11,220
Non-cash contributions					
Other developer contributions		–	–	2,367	1,726
Total developer contributions non-cash		–	–	2,367	1,726
Total developer contributions		–	–	22,572	12,946
Total contributions		–	–	22,572	12,946
Total grants and contributions		30,287	35,754	76,321	70,840
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		–	168	25,158	34,507
Grants and contributions recognised at a point in time		30,287	35,586	51,163	36,333
Total grants and contributions		30,287	35,754	76,321	70,840

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Unspent grants				
Unspent funds at 1 July	3,807	1,327	37,150	13,805
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	976	3,269	-	-
Less: Funds recognised in a previous reporting period now spent	(2,248)	(1,012)	-	-
Add: Funds received and not recognised as revenue in the current year	624	546	20,136	32,990
Less: Funds received in prior year but revenue recognised and funds spent in current year	(110)	(323)	(11,092)	(9,645)
Unspent grants at 30 June	3,049	3,807	46,194	37,150
Unspent Contributions				
Unspent funds at 1 July	7,725	1,743	55,034	53,529
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,185	6,637	22,098	4,644
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(5,622)	(562)	(12,675)	(3,133)
Add: contributions received and not recognised as revenue in the current year	419	715	13	25
Less: contributions received in prior year but revenue recognised and funds spent in current year	(715)	(808)	(25)	(31)
Unspent contributions at 30 June	2,992	7,725	64,445	55,034
Total unspent grants and contributions	6,041	11,532	110,639	92,184

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	2023	2022
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	458	427
– Cash and investments	7,779	1,368
Total interest and investment income (losses)	8,237	1,795

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	2023	2022
Fair value increment on investment properties			
Fair value increment on investment properties		2,838	1,289
Total fair value increment on investment properties	C1-9	2,838	1,289
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		1,641	1,555
Lease income relating to variable lease payments not dependent on an index or a rate		–	146
Total lease income from Investment properties	C2-2	1,641	1,701
Other		2,546	2,073
Total other lease income	C2-2	2,546	2,073
Total rental income		4,187	3,774
Fair value increment on investments			
Fair value increment on investments through profit and loss		928	–
Total Fair value increment on investments		928	–
Total other income		7,953	5,063

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	98,170	93,474
Employee leave entitlements (ELE)	18,498	18,296
Superannuation – guarantee levy	10,973	10,075
Superannuation – defined benefit plans	851	1,192
Workers' compensation insurance	1,443	2,080
Fringe benefit tax (FBT)	244	254
Other	117	142
Total employee costs	130,296	125,513
Less: capitalised costs	(3,435)	(3,266)
Total employee costs expensed	126,861	122,247

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 Accumulation Scheme (Active Super), 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	2023	2022
Raw materials and consumables		14,561	7,247
– Building and parks services		8,967	12,126
– Cleaning services		1,964	1,742
– Computer software maintenance		5,987	4,467
– Engineering services		599	1,186
– Garbage services		9,008	8,566
– Organic services		3,705	3,365
– Recycling services		3,123	2,651
– Security services		1,056	1,106
– Sullage services		129	172
– Tipping services		9,583	11,577
Contractor and consultancy costs		13,663	8,788
Audit Fees	F2-1	154	149
Councillor and Mayoral fees and associated expenses	F1-2	673	614
Training costs (other than salaries and wages)		1,012	652
Advertising		189	226
Electricity and heating		2,889	1,848
Insurance		3,599	3,949
Postage		549	548
Printing and stationery		602	620
Street lighting		3,682	3,407
Subscriptions and publications		618	500
Telephone and communications		1,104	1,251
Cost of sales		334	158
Other expenses		6,797	4,899
Water rates and charges		972	728
Operating leases expense:			
Expenses from leases of low value assets	C2-1	32	154
Legal expenses:			
– Legal expenses: planning and development		1,250	1,569
– Legal expenses: other		263	40
Total materials and services		97,064	84,305
Total materials and services		97,064	84,305

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2023	2022
(i) Interest bearing liability costs		
Interest on leases	1	3
Interest on loans	1,528	941
Total interest bearing liability costs expensed	1,529	944
Total borrowing costs expensed	1,529	944

Accounting policy

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

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

\$ '000	Notes	2023	2022
Depreciation and amortisation			
Plant and equipment	C1-8	3,592	3,057
Office equipment	C1-8	2,063	1,878
Furniture and fittings	C1-8	748	777
Land improvements (depreciable)	C1-8	3,274	2,841
Infrastructure:			
– Buildings	C1-8	12,763	7,393
– Roads		23,332	21,786
– Stormwater drainage		8,327	7,620
– Other open space/recreational assets		1,897	1,279
– Other structure		95	61
Right of use assets	C2-1	48	75
Other assets:			
– Library books	C1-8	405	410
– Other	C1-8	24	24
Intangible assets	C1-10	63	70
Total depreciation and amortisation costs		56,631	47,271
Total depreciation, amortisation and impairment for non-financial assets		56,631	47,271

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values where relevant, over their estimated useful lives. Useful lives are included in Note C1-8 for IPPE assets.

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

\$ '000	2023	2022
Impairment of receivables	38	125
Fair value decrement on investments	–	239
Contributions/levies to other levels of government		
– Department of planning levy	971	620
– Emergency services levy (includes FRNSW, SES, and RFS levies)	2,837	2,227
– Waste levy	6,836	6,407
– Other donations and contributions	2,648	2,396
Other	658	128
Total other expenses	13,988	12,142

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2023	2022
Infrastructure, property, plant and equipment			
	C1-8		
Proceeds from disposal		5,528	6,666
Less: carrying amount of assets sold/written off		(9,654)	(5,661)
Gain (or loss) on disposal		(4,126)	1,005
Gain (or loss) on disposal of non-current assets classified as 'held for sale'			
	C1-7		
Proceeds from disposal – non-current assets 'held for sale'		–	13,042
Less: carrying amount – non-current assets 'held for sale'		–	(3,326)
Gain (or loss) on disposal		–	9,716
Net gain (or loss) from disposal of assets		(4,126)	10,721

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 27 June 2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

Material variations 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	2023 Budget	2023 Actual	2023 ----- Variance -----	
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Revenues

Other revenues	2,177	8,425	6,248	287%	F
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Material Budget Variations were attributed to several areas performing greater than the original budgets for the year, they include: Legal and other cost recovered \$230,000, car parking fines \$569,000, fines miscellaneous \$563,000 and insurance claims recovery \$4,525,000 which is primarily for claim for 114 Henry Street.

Operating grants and contributions	9,130	30,287	21,157	232%	F
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Variances for Operating Grants and Contributions were attributed primarily due to Financial Assistance Grants in Advance of \$12.8m not in original budget and Childcare & Pre-School grants of \$6.3m which were greater than original budget.

Capital grants and contributions	42,806	76,321	33,515	78%	F
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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: Regional and Local Repair Program \$13.1m, Voluntary Planning Agreement \$12.5m, S7.11 & S7.12 Contributions \$3.1m, Subdivision Contributions \$418,000. Other Grants received which were less than anticipated include Roadworks Capital Grants for new & Replacement Assets \$1.5m and Other Federal & State Capital Grants \$1.5m.

Interest and investment revenue	3,175	8,237	5,062	159%	F
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The favourable variance and increase of \$2.3M in Interest Earned is brought by the expansion in Council's average investment portfolio and the rapid (and consecutive) rise in RBA's cash rate in 2022-23 Financial Year; which has direct impact with return on investment result. From the time the projection was calculated, there has been a 25.5% increase in Council's average investment portfolio - being, \$177.8M (2021-22 Portfolio Average) to \$223.2M (2022-23 Portfolio Average). Simultaneous to this change, the RBA had increased the official Cash Rate eleven (11) times, from the time the Council had calculated the 2022-23 Interest on Investment projections. Inherent to the increase in cash rate are the higher interest rates being offered for new and re-investment of maturing term deposits and floating rate notes throughout 2022-23 Financial Year.

Other income	4,370	7,953	3,583	82%	F
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The favourable variance relates to \$2.8M fair value increment on investment properties and \$928,000 fair value increment on investments through profit and loss, it is difficult to estimate value adjustments in the original budget for fair value changes.

Expenses

Employee benefits and on-costs	136,015	126,861	9,154	7%	F
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Material Variances for Employee Benefits and On-Costs primarily relates to position vacancies \$4.3m, unused provisions for entitlements \$2.8m and labour charged out to capital projects \$2.45m.

Materials and services	78,860	97,064	(18,204)	(23)%	U
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Material Budget Variations on Materials and Services was significantly influenced by increased maintenance costs resulting from extreme weather events for Road, Drainage and Public Spaces Maintenance \$9.6m. Further variations are evident in Building Maintenance expenditure \$1.1m higher resulting from the need to maintain our Building assets to an acceptable

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
level. Other unfavourable variations were also observed in the following areas: Software Licences and Maintenance \$896,000, Legal Projects Development Services \$799,000, Childcare Operations \$755,000, Greening our City grant funded projects \$647,000, Digitization \$608,000, Gipps Street Remediation works \$484,000 and Emu Plains Employment Precinct \$328,000.				
Borrowing costs	1,233	1,529	(296)	(24)% U
The actual expenditure includes accruals for the interest expense of two new loans which were part of the 2022-23 Borrowing Program (Emu Plains Employment Precinct and Regatta Park) and were drawn down in the last quarter of the financial year.				
Depreciation, amortisation and impairment of non-financial assets	47,328	56,631	(9,303)	(20)% U
The majority of the variance relates to buildings asset class which underwent a full comprehensive revaluation in 2021-22 resulting in an increase value of \$76.7m and adjustment to remaining useful lives which was not included in the original budget. The other Infrastructure asset classes were indexed to account for the increased fair value as at 30 June 2022 which resulted in higher depreciation expense across all asset classes which was not included in original budget.				
Net losses from disposal of assets	554	4,126	(3,572)	(645)% U
Variance comprises of the write off of Work In Progress relating to Soper Place Carpark \$7m (unfavourable) which has been partly offset by profit on sale for the compulsory land acquisition by Transport NSW \$3.4m (favourable).				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank	3,367	1,972
Cash equivalent assets		
– Deposits at call	13,288	11,268
Total cash and cash equivalents	16,655	13,240

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	16,655	13,240
Balance as per the Statement of Cash Flows	16,655	13,240

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	2023	2023	2022	2022
		Current	Non-current	Current	Non-current
Financial assets at fair value through profit and loss					
- Floating Rate Notes		–	20,129	3,006	16,033
- Mortgage Backed Securities		–	1,371	–	1,444
- Other long term financial assets		–	8,029	–	7,321
- Term Deposits		164,434	19,000	146,645	33,500
Total financial investments		164,434	48,529	149,651	58,298
Total cash assets, cash equivalents and investments	C1-1,C1-2	181,089	48,529	162,891	58,298

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.

Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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

Interest income, impairment and gains or loss on de-recognition are recognised in 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 Floating Rate Notes, Mortgage Backed Securities and Council's mutual self insurance scheme in the Statement of Financial Position.

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

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	229,618	221,189
Less: Externally restricted cash, cash equivalents and investments	<u>(139,546)</u>	<u>(125,997)</u>
Cash, cash equivalents and investments not subject to external restrictions	90,072	95,192
\$ '000	Notes	2023
		2022

External restrictions

External restrictions – included in liabilities

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

Specific purpose unexpended loans – general	14,771	20,307
Specific purpose unexpended grants – general fund	49,243	32,218

External restrictions

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

Developer contributions – general ¹	G4	63,187	53,200
Domestic waste management		3,468	11,708
Stormwater management		3,106	2,792
Sullage reserve		561	508
Childcare		3,219	2,718
Waste and sustainability		–	127
Other		1,991	2,419
Total external restrictions		139,546	125,997

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

(1) Developer contributions - general, prior year amount was restated from \$57,407,000 to \$53,200,000. Note G5 Developer Contributions opening balances have been restated to show negative balances where funds have been spent in advance using Councils funds. Revised balances for developer contribution plans can be found in Note G5 Developer Contributions.

\$ '000	2023	2022
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(b) Internal allocations

Internal allocations

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

Plant and vehicle replacement	2,859	3,798
Employees leave entitlement	5,912	5,208
Deposits, retentions and bonds	19,887	17,881
Acquisition of land and buildings	975	17,570
Cemetery reserve	715	627
Children's services reserve	1,259	350
Election reserve	464	109
Financial Assistance Grant received in advance	12,839	7,988
Financial management	13,042	18,780
Infrastructure construction	1,789	1,081
Insurance reserve	2,286	2,517
Legal reserve	1,131	948

continued on next page ...

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

\$ '000	2023	2022
Revote reserve	2,804	2,402
Salary administration	63	15
Sustainability revolving fund	2,131	1,393
Voted works	673	505
Other	5,177	4,719
Total internal allocations	74,006	85,891

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

C1-4 Receivables

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Rates and annual charges	8,499	2,594	7,932	3,143
Interest and extra charges	599	731	410	623
User charges and fees	3,182	–	1,314	–
Accrued revenues				
– Interest on investments	3,223	–	428	–
Deferred debtors	100	863	126	915
Government grants and subsidies	1,571	–	3,724	–
Net GST Receivable	2,092	–	1,927	–
Other	113	–	7	–
Total	19,379	4,188	15,868	4,681
Less: provision for impairment				
Rates and annual charges	(1,541)	(481)	(1,362)	(448)
Interest and extra charges	(125)	(398)	(85)	(374)
User charges and fees	(200)	–	(294)	–
Total	(1,866)	(879)	(1,741)	(822)
Total net receivables	17,513	3,309	14,127	3,859

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 and annual charges 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. Debt recovery processes for overdue rates returned to pre-pandemic processes, including the recommencement of legal action in March 2023. As at 30 June 2023 the impact for outstanding rate balances 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	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(i) Inventories at cost				
Stores and materials	751	-	735	-
Total inventories at cost	751	-	735	-
Total inventories	751	-	735	-

Accounting policy

Raw materials and stores

Raw materials and stores 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

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Contract assets	15,038	–	24,749	–
Total contract assets	15,038	–	24,749	–

Contract assets

Work relating to infrastructure grants	10,439	–	15,883	–
Other	4,599	–	8,866	–
Total contract assets	15,038	–	24,749	–

Significant changes in contract assets

Council held a contract asset as at 30 June 2022 for \$8.7m in relation to the compensation notice for a compulsory acquisition of 45 Station Street St Marys, gazettal notice dated 1 October 2021 and payment was received on 27 September 2022.

Accounting policy

Contract assets

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

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

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

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

Council did not classify any non-current assets or disposal groups as 'held for sale'.

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period						At 30 June 2023		
	Gross carrying amount	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	33,604	–	33,604	63,831	–	(7,235)	–	(5,989)	–	84,212	–	84,212
Office equipment	42,742	(33,748)	8,994	587	89	–	(2,063)	111	–	43,527	(35,810)	7,717
Furniture and fittings	12,776	(8,834)	3,942	20	–	–	(748)	(2,727)	–	7,106	(6,618)	488
Plant and equipment	43,017	(23,119)	19,898	5,580	83	(1,376)	(3,592)	134	–	45,980	(25,254)	20,726
Land:												
– Operational land	308,060	–	308,060	–	–	(44)	–	389	–	308,405	–	308,405
– Community land	237,335	–	237,335	1,552	–	(292)	–	(310)	508,535	746,820	–	746,820
– Crown land	20,066	–	20,066	–	–	–	–	–	52,289	72,355	–	72,355
– Land under roads	180,362	–	180,362	159	–	–	–	(60)	124,612	305,074	–	305,074
Land improvements – non-depreciable	–	–	–	–	–	–	–	4,909	940	5,850	–	5,850
Land improvements – depreciable	50,108	(15,097)	35,011	4,926	1,469	–	(3,274)	(24,874)	1,599	19,805	(4,949)	14,856
Infrastructure:												
– Buildings	487,234	(183,945)	303,289	1,812	2,089	(682)	(12,763)	3,051	14,406	515,354	(204,150)	311,204
– Roads	1,456,243	(510,361)	945,882	9,742	10,021	–	(23,332)	586	46,556	1,552,041	(562,585)	989,456
– Stormwater drainage	832,378	(261,801)	570,577	7,267	1,433	–	(8,327)	76	68,054	941,744	(302,665)	639,079
– Other open space/recreational assets	28,324	(6,088)	22,236	418	1,368	–	(1,897)	20,506	70,494	153,317	(40,190)	113,127
– Other Structure	1,270	(377)	893	249	400	–	(95)	3,744	–	7,312	(2,119)	5,193
Other assets:												
– Library books	12,456	(10,723)	1,733	493	–	(25)	(405)	–	–	12,887	(11,090)	1,797
– Other	6,004	(530)	5,474	37	–	–	(24)	–	32	6,073	(554)	5,519
Total infrastructure, property, plant and equipment	3,751,979	(1,054,623)	2,697,356	96,673	16,952	(9,654)	(56,520)	(454)	887,517	4,827,862	(1,195,984)	3,631,878

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

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

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period						At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions New Assets ¹	Additions Renewals/ Upgrade Assets	Carrying value of disposals	Depreciation expense	WIP Transfer/ Reclass	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	11,202	–	11,202	24,999	–	–	–	(2,597)	–	33,604	–	33,604
Plant and equipment	41,200	(21,611)	19,589	4,385	372	(1,425)	(3,057)	34	–	43,017	(23,119)	19,898
Office equipment	41,597	(31,904)	9,693	958	221	–	(1,878)	–	–	42,742	(33,748)	8,994
Furniture and fittings	12,747	(8,083)	4,664	54	–	–	(777)	–	–	12,776	(8,834)	3,942
Land:												
– Operational land	187,800	–	187,800	56	–	(1,199)	–	(3,428)	124,831	308,060	–	308,060
– Community land	210,800	–	210,800	1,026	–	–	–	1,796	23,712	237,335	–	237,335
– Crown land	18,062	–	18,062	–	–	–	–	–	2,005	20,066	–	20,066
– Land under roads	161,932	–	161,932	410	–	–	–	–	18,020	180,362	–	180,362
Land improvements – depreciable	43,508	(12,252)	31,256	4,030	870	–	(2,841)	1,700	–	50,108	(15,097)	35,011
Infrastructure:												
– Buildings	306,280	(87,809)	218,471	8,073	8,252	(3,004)	(7,393)	2,166	76,718	487,234	(183,945)	303,289
– Roads	1,359,144	(456,387)	902,757	13,656	15,674	–	(21,786)	174	35,405	1,456,243	(510,361)	945,882
– Stormwater drainage	763,706	(234,941)	528,765	6,546	1,036	–	(7,620)	21	41,829	832,378	(261,801)	570,577
– Other open space/recreational assets	18,945	(3,698)	15,247	4,150	1,407	–	(1,279)	134	2,581	28,324	(6,088)	22,236
– Other infrastructure	896	(271)	625	214	–	–	(61)	–	115	1,270	(377)	893
Other assets:												
– Library books	12,096	(10,365)	1,731	445	–	(33)	(410)	–	–	12,456	(10,723)	1,733
– Other	5,957	(506)	5,451	–	–	–	(24)	–	47	6,004	(530)	5,474
Total infrastructure, property, plant and equipment	3,195,872	(867,827)	2,328,045	69,002	27,832	(5,661)	(47,126)	–	325,263	3,751,979	(1,054,623)	2,697,356

(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

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

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

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

Useful lives of IPPE

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	Open Space & Recreation	Years
Office equipment	5 to 10	Playground equipment	15
Office furniture	15	Softfall	10
Computer equipment	4	Benches, seats etc.	15 to 30
Vehicles	5	Swimming Pools	100
Heavy plant/road making equipment	5 to 8	Fencing	25
Other plant and equipment	5 to 15	Lighting	40
		Other Structures	20 to 100
Transportation assets		Land Improvements - Depreciable	
Roads Structure	100	Irrigation systems	30
Roads Pavement	30		
Bridges	40 to 80	Buildings	
Unsealed roads	20	Buildings: masonry	50 to 100
		Buildings: other	20 to 40
Stormwater assets		Other infrastructure assets	
Drains	100	Other infrastructure	20
Culverts	100		
Flood control structures	100		
Stormwater Pipes	100		

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

Revaluation model

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.

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

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	2023	2022
Owned investment property		
Investment property on hand at fair value	97,939	43,001
Total owned investment property	97,939	43,001
Owned investment property		
At fair value		
Opening balance at 1 July	43,001	40,186
Capitalised subsequent expenditure	52,100	1,526
Net gain/(loss) from fair value adjustments	2,838	1,289
Closing balance at 30 June	97,939	43,001

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.

C1-10 Intangible assets

Intangible assets are as follows:

\$ '000	2023	2022
Software		
Opening values at 1 July		
Gross book value	1,181	1,181
Accumulated amortisation	(695)	(625)
Net book value – opening balance	486	556
Movements for the year		
Purchases	–	–
Amortisation charges	(63)	(70)
Closing values at 30 June		
Gross book value	1,181	1,181
Accumulated amortisation	(758)	(695)
Total intangible assets – net book value	423	486

Accounting policy

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	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Prepayments	3,380	–	6,019	–
Refundable bonds paid by Council	999	–	4,865	–
Total other assets	4,379	–	10,884	–

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.

Extension options

Council includes options in the office and other equipment leases to provide flexibility and certainty to Council operations; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

There are \$37,000 in potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

(a) Right of use assets

\$ '000	Plant & Equipment	Total
2023		
Opening balance at 1 July	69	69
Depreciation charge	(47)	(47)
Balance at 30 June	22	22
2022		
Opening balance at 1 July	132	132
Additions to right-of-use assets	12	12
Depreciation charge	(75)	(75)
Balance at 30 June	69	69

(b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	16	6	47	21
Total lease liabilities	16	6	47	21

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2023					
Cash flows	16	6	–	22	22
2022					
Cash flows	46	22	–	68	68

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	2023	2022
Interest on lease liabilities	1	3
Depreciation of right of use assets	48	75
Expenses relating to low-value leases	32	154
	81	232

(e) Statement of Cash Flows

Total cash outflow for leases	80	231
	80	231

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. The right-of-use 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, 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.

C2-2 Council as a lessor

Operating leases

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

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

\$ '000	Notes	2023	2022
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(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)	B2-6	1,641	1,555
Lease income relating to variable lease payments not dependent on an index or a rate	B2-6	–	146
Direct operating expenses from property that generated rental income		(428)	(404)
Direct operating expenses from property that did not generate rental income		(32)	(1)
Total income relating to operating leases for investment property assets		1,181	1,296

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)		2,415	1,800
Lease income relating to variable lease payments not dependent on an index or a rate		131	273
Total income relating to operating leases for Council assets	B2-6	2,546	2,073

Amount of IPPE leased out by Council under operating leases

Land	110,729	69,733
Buildings	24,515	10,224
Motor Vehicles	6,094	5,857
Total amount of IPPE leased out by Council under operating leases	141,338	85,814

(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	1,752	1,670
1–2 years	1,805	1,720
2–3 years	1,860	1,772
3–4 years	1,917	1,826
4–5 years	1,975	1,882
> 5 years	2,035	752
Total undiscounted lease payments to be received	11,344	9,622

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	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Government departments and agencies	252	–	352	–
Prepaid rates	3,930	–	3,550	–
Goods and services	6,115	–	4,320	–
Accrued expenses:				
– Salaries and wages	2,064	–	2,012	–
– Other expenditure accruals	15,860	–	11,111	–
Security bonds, deposits and retentions	20,865	–	18,549	–
Other	119	–	114	–
Total payables	49,205	–	40,008	–

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

\$ '000	2023	2022
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	14,478	14,054
Total payables	14,478	14,054

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	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Funds to construct Council controlled assets	(i)	13,224	23,300	16,789	23,300
Funds received prior to performance obligations being satisfied (upfront payments) - AASB 15	(ii)	2,642	-	883	-
Deposits received in advance of services provided		1,069	-	472	-
Upfront fees	(iii)	4,470	-	4,855	-
Total contract liabilities		21,405	23,300	22,999	23,300

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 except for \$23.3m relating to the Accelerated Infrastructure Fund Round 2 grant from the Department of Planning and Environment which is not expected to be recognised until after 2024/25. Council has classified this income as Non-Current in 2022/23 and has reclassified \$23.3m of the prior year current liability to non-current liability for comparative purposes.

(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	2023	2022
Funds to construct Council controlled assets	10,585	7,852
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	628	1,578
Deposits received in advance of services provided	472	794
Upfront fees	1,248	679
Total revenue recognised that was included in the contract liability balance at the beginning of the period	12,933	10,903

Accounting policy

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

C3-3 Borrowings

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Loans – secured ¹	5,653	64,802	6,526	36,654
Total borrowings	5,653	64,802	6,526	36,654

(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	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	43,180	27,275	–	–	–	–	70,455
Lease liabilities (Note C2-1b)	68	(46)	–	–	–	–	22
Total liabilities from financing activities	43,248	27,229	–	–	–	–	70,477

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	25,788	17,392	–	–	–	–	43,180
Lease liability (Note C2-1b)	131	(63)	–	–	–	–	68
Total liabilities from financing activities	25,919	17,329	–	–	–	–	43,248

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	550	550
Total financing arrangements	1,050	1,050
Undrawn facilities		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	379	537
Total undrawn financing arrangements	879	1,037

(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	2023		2022	
	Current	Non-current	Current	Non-current
Annual leave	11,391	–	11,844	–
Sick leave	3,506	–	4,783	–
Long service leave	21,912	1,259	20,351	1,262
Gratuities	75	–	–	–
Total employee benefit provisions	36,884	1,259	36,978	1,262

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employee benefits	27,692	27,327
	27,692	27,327

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	2023	2023	2022	2022
	Current	Non-Current	Current	Non-Current
Other provisions				
Self insurance – public liability	503	–	725	–
Total provisions	503	–	725	–

Description of and movements in provisions

\$ '000	Other provisions		
	Self insurance	Other	Total
2023			
At beginning of year	725	–	725
Additional provisions	42	–	42
Amounts used (payments)	(264)	–	(264)
Total other provisions at end of year	503	–	503
2022			
At beginning of year	533	1,270	1,803
Additional provisions	192	–	192
Amounts used (payments)	–	(1,270)	(1,270)
Total other provisions at end of year	725	–	725

Accounting policy

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

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

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

Self-insurance

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Interests in other entities

D1-1 Subsidiaries

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

D1-1 Subsidiaries (continued)

Name of Operation/Entity

Name of Operation/Entity	Principal activity
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Penrith Performing and Visual Arts Ltd (PPVA)	Cultural Penrith
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Interests in Subsidiary	Principal place of business	Ownership 2023	Ownership 2022	Voting rights 2023	Voting rights 2022
Council's interest in Subsidiary	597 High Street, Penrith, 2750	100%	100%	100%	100%

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

Council provided PPVA an amount of \$2.302m in subsidies during 2022-23. This subsidy is proposed to be \$2.396m in 2023-24.

Council will underwrite the operation of the PPVA for a period of 36 months from 1 July 2021 until 30 June 2024.

Summarised financial information for the Subsidiary

\$ '000	2023	2022
Summarised statement of income and other comprehensive income		
Revenue	2,215	1,241
Expenses	(5,051)	(4,147)
Profit/(Loss) from continuing operations	(2,836)	(2,906)
Total comprehensive income	(2,836)	(2,906)
Summarised statement of financial position		
Current assets	3,142	1,812
Non-current assets	2,079	2,055
Total assets	5,221	3,867
Current liabilities	2,670	868
Non-current liabilities	265	212
Total liabilities	2,935	1,080
Net assets	2,286	2,787
Summarised statement of cash flows		
Cash flows from operating activities	803	(410)
Cash flows from investing activities	-	(45)
Cash flows from financing activities	(61)	-
Net increase/(decrease) in cash and cash equivalents	742	(455)

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	Principal place of business	Ownership 2023	Ownership 2022	Voting rights 2023	Voting rights 2022
Council's interest in Subsidiary	McCarthys Lane, Cranebrook, NSW 2749	100%	100%	100%	100%

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

Council provided PWS an amount of \$0.450m in subsidies during 2022-23, \$nil in 2021-22.

The nature and extent of significant restrictions relating to the Subsidiary

Penrith Whitewater Stadium will cease to be a 100% whole owned subsidiary of Penrith City Council from 1 July 2023
See Note G3-1.

Summarised financial information for the Subsidiary

\$ '000	2023	2022
Summarised statement of income and other comprehensive income		
Revenue	1,351	460
Expenses	(1,985)	(960)
Profit/(Loss) from continuing operations	(634)	(500)
Total comprehensive income	(634)	(500)
Summarised statement of financial position		
Current assets	515	394
Non-current assets	582	655
Total assets	1,097	1,049
Current liabilities	809	578
Total liabilities	809	578
Net assets	288	471
Summarised statement of cash flows		
Cash flows from operating activities	(121)	(338)
Cash flows from investing activities	-	(38)
Cash flows from financing activities	-	(3)
Net increase/(decrease) in cash and cash equivalents	(121)	(379)

D1-1 Subsidiaries (continued)

Accounting policy for subsidiaries

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

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

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

Fair value is determined as follows:

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

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order 625. This policy is regularly reviewed by Council and its officers and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether the changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that a contracting 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	2023	2022
<p>The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.</p>		
<p>Impact of a 1% movement in interest rates</p>		
– Equity / Income Statement	2,199	2,214
<p>Impact of a 10% movement in price of investments</p>		
– Equity / Income Statement ¹	2,953	2,780

(1) Prior year amount amended from \$144,000 to \$2,780,000 to reflect the full portfolio of Floating Rate Notes, Mortgage Backed Securities and Other long term financial assets which are recognised at fair value through profit and loss - refer Note C1-3.

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue rates and annual charges			Total
	overdue	< 5 years	≥ 5 years	
2023				
Gross carrying amount	2,818	7,350	925	11,093
2022				
Gross carrying amount	2,698	7,501	876	11,075

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2023						
Gross carrying amount ¹	16,069	5,829	566	160	4,888	27,512
Expected loss rate (%)	0.00%	2.21%	2.45%	34.02%	10.76%	2.63%
ECL provision	–	129	14	54	526	723
2022						
Gross carrying amount ¹	9,408	20,940	458	787	2,630	34,223
Expected loss rate (%)	0.00%	0.11%	9.93%	9.99%	23.03%	2.20%
ECL provision	–	23	45	79	606	753

(1) Gross carrying amount includes Contract Assets

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

(c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities (refer to Note C2-1(b) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2023							
Payables	0.00%	20,865	28,341	–	–	49,206	49,205
Borrowings	4.08%	–	8,482	37,146	67,387	113,015	70,455
Total financial liabilities		20,865	36,823	37,146	67,387	162,221	119,660
2022							
Payables	0.00%	18,549	21,459	–	–	40,008	40,008
Borrowings	2.99%	–	7,758	51,546	90,320	149,624	43,180
Total financial liabilities		18,549	29,217	51,546	90,320	189,632	83,188

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 Council can access at the measurement date.

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

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

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022
Recurring fair value measurements							
Financial investments	C1-2						
At fair value through profit or loss		29,529	27,804	–	–	29,529	27,804
Investment property	C1-9						
Land and buildings		97,939	43,001	–	–	97,939	43,001
Infrastructure, property, plant and equipment	C1-8						
Crown Land		–	–	72,355	20,066	72,355	20,066
Operating land		–	–	308,405	308,060	308,405	308,060
Community land		–	–	746,820	237,335	746,820	237,335
Land under roads		–	–	305,074	180,362	305,074	180,362
Land improvements - Depreciable		–	–	14,856	35,011	14,856	35,011
Land Improvements - Non Depreciable		–	–	5,850	–	5,850	–
Buildings		–	–	311,204	303,289	311,204	303,289
Roads, bridges, footpaths		–	–	989,456	945,882	989,456	945,882
Stormwater drainage		–	–	639,079	570,577	639,079	570,577
Other Open Space/Recreational Assets		–	–	113,127	22,236	113,127	22,236
Other Infrastructure		–	–	5,193	893	5,193	893
Total infrastructure, property, plant and equipment		–	–	3,511,419	2,663,752	3,511,419	2,663,752

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.

E2-1 Fair value measurement (continued)

Valuation techniques

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

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

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

Class	Valuation technique(s)	Unobservable Inputs
Investment Properties	Market Approach 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	Rate per square metre, land area
Community Land	Market approach Land values obtained from the NSW Valuer-General	Land value, land area, restrictions over use
Crown Land	Market approach 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	Cost Approach	Current replacement cost, asset condition, remaining lives, residual value and useful lives
Roads	Cost Approach	Asset condition, remaining lives, rates per square metre
Stormwater Drainage	Cost Approach	Asset condition, remaining lives rates per square metre
Other Open Space/ Recreational Assets	Cost Approach	Asset condition, remaining lives
Library Books	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value

E2-1 Fair value measurement (continued)

Reconciliation of Movements

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

\$ '000	Total IPP&E	
	2023	2022
Opening balance	2,623,711	2,275,715
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	887,485	325,216
Other movements		
Transfers from/(to) another asset class	2,944	–
Purchases (GBV)	47,984	67,963
Disposals (WDV)	(1,017)	(4,203)
Depreciation and impairment	(49,688)	(40,980)
Closing balance	3,511,419	2,623,711

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 plan' for purposes of AASB 119 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 standard employer contributions and additional lump sum contributions to the fund.

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

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

*For 180 Point Members, Employers are required to contribute 8.0% of salaries for the year ending 30 June 2023 (increasing to 8.5% 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 \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022.. 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 Council.

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

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2023 was \$706,308.72. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2022.

The amount of additional contributions included in the total employer contribution advised above is \$397,017.84. Council's expected contribution to the plan for the next annual reporting period is \$721,289.76.

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

E3-1 Contingencies (continued)

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

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

The share of any funding surplus or deficit that can be attributed to Council is 1.99%.

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 NSW Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6.0% for FY 22/23 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.

(ii) CivicRisk Mutual Limited

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

CivicRisk Mutual Ltd membership includes the potential to share in either the net surplus or deficit of protection years depending on its past performance. Council's share of the net surplus or deficit reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) Loan Guarantor

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

E3-1 Contingencies (continued)

(iv) Bank Guarantee

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

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

(v) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

(iii) Asset Impairment

Infrastructure assets comprising of roads, footpaths, bridges and stormwater drainage within identified parts of Jordan Springs East and Glenmore Park have experienced settlement. These assets are currently valued at \$46.8m and \$2.8m respectively. Localised repairs to assets include pavement rehabilitation and minor repairs to footpaths and kerb and gutter at the expense of the developer. 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)

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

\$ '000	2023	2022
Compensation:		
Short-term benefits (including annual leave)	3,027	2,819
Other long-term benefits	136	425
Termination benefits	297	–
Total	3,460	3,244

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				
2023						
Contribution to Civic Risk Mutual	1	3,036	–	30-day terms on invoices	–	–
Loan provided to Penrith Valley Regional Sports Centre	2	1,200	–		–	–
Debt Guarantee for Penrith Valley Regional Sports Centre	3	500	–		–	–
Contributions to Penrith CBD Corporation Limited	4	513	–		–	–
2022						
Contribution to Civic Risk Mutual	1	2,788	–	30-day terms on invoices	–	–
Loan provided to Penrith Valley Regional Sports Centre	2	1,200	–		–	–
Debt Guarantee for Penrith Valley Regional Sports Centre	3	500	–		–	–
Contributions to Penrith CBD Corporation Limited	4	484	–		–	–

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

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

3 Council guaranteed a loan application to Penrith Valley Regional Sports Centre to finance building improvements on land leased to Penrith Sports Stadium Pty Ltd by Council until 10 October 2087. Refer to E3-1 1(iii) for further details.

4 Council provides subsidies and sponsors events for Penrith CBD Corporations Limited.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	92	80
Councillors' fees	475	446
Councillors superannuation	57	–
Other Councillors' expenses (including Mayor)		
– Telephone and internet services	12	23
– Training, conferences and seminars	32	47
– Other	5	18
Total	673	614

F2 Other relationships

F2-1 Audit fees

\$ '000	2023	2022
Audit and other assurance services: Auditors of NSW Council – NSW Auditor-General:		
Audit and review of financial statements	154	149
Total fees paid or payable to the Auditor-General	154	149

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2023	2022
Net operating result from Income Statement	62,385	79,053
Add / (less) non-cash items:		
Depreciation and amortisation	56,631	47,271
(Gain) / loss on disposal of assets	4,126	(10,721)
Non-cash capital grants and contributions	(17,338)	(24,655)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(928)	239
– Investment property	(2,838)	(1,289)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(3,096)	(1,861)
Increase / (decrease) in provision for impairment of receivables	182	597
(Increase) / decrease of inventories	(16)	(217)
(Increase) / decrease of other current assets	6,505	1,212
(Increase) / decrease of contract asset	9,711	(19,021)
Increase / (decrease) in payables	1,795	(2,203)
Increase / (decrease) in other accrued expenses payable	4,801	5,350
Increase / (decrease) in other liabilities	2,601	2,238
Increase / (decrease) in contract liabilities	(1,594)	26,048
Increase / (decrease) in employee benefit provision	(97)	294
Increase / (decrease) in other provisions	(222)	(1,078)
Net cash flows from operating activities	122,608	101,257

(b) Non-cash investing and financing activities

Dedications	14,603	22,032
Bushfire grants	368	897
Developer contributions 'in kind'	2,367	1,726
Total non-cash investing and financing activities	17,338	24,655

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2023	2022
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Buildings	12,389	12,920
Plant and equipment	1,497	3,834
Roadworks	3,191	3,420
Other	31,428	49,220
Investment Property	125	45,594
Total commitments	48,630	114,988

Details of capital commitments

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

- Gipps Street Recreation Precinct
- City Park
- Regatta Park Stage 1
- Kingsway North Amenity Building Renewal
- Woodriff Gardens Tennis Amenity Upgrade
- Plant & Equipment Procurement
- Road Resealing/ Resheeting
- Emu Plains Regatta Park Kiosk
- Ched Towns Amenity Renewal & Upgrade
- Hickeys Lane Amenities Renewal

G3-1 Events occurring after the reporting date

Council is aware that the NSW Government recently announced that the NSW Office of Sport will operate the Penrith Whitewater Stadium from 1 July 2023.

As a result the Office of Sport is in the process of entering into a new, long-term lease over the site with the land owner, the NSW Office of Strategic Lands.

The Penrith Whitewater Stadium (PWS) board has appointed Grant Thornton as the liquidator for the Members Voluntary Liquidation of Penrith Whitewater Stadium.

Penrith Whitewater Stadium would cease to be a 100% wholly owned subsidiary of Penrith City Council from 1 July 2023.

G4 Statement of developer contributions

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Drainage ¹	(6,752)	84	–	–	(81)	(141)	–	(6,890)	–
Roads	4,529	1,205	–	–	97	–	–	5,831	–
Parking	592	777	–	–	28	–	–	1,397	–
Open space	50,549	3,235	–	–	1,319	(11,205)	–	43,898	–
Community facilities	1,019	398	–	–	55	–	–	1,472	–
Other ¹	(257)	263	–	–	42	(226)	–	(178)	–
S7.11 contributions – under a plan	49,680	5,962	–	–	1,460	(11,572)	–	45,530	–
S7.12 levies – under a plan	3,394	4,144	–	–	152	(433)	–	7,257	–
Total S7.11 and S7.12 revenue under plans	53,074	10,106	–	–	1,612	(12,005)	–	52,787	–
S7.4 planning agreements	126	10,099	1,414	953	175	(2,367)	–	10,400	–
Total contributions	53,200	20,205	1,414	953	1,787	(14,372)	–	63,187	–

(1) Prior year figure has been restated to show the balances of plans that have been spent in advance using Council funds.

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.

G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year				Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other						
Civic Improvement Plan										
Drainage ¹	(2,712)	84	-	-	(53)	-	-	(2,681)	-	
Roads	1,579	1,198	-	-	56	-	-	2,833	-	
Parking	592	777	-	-	28	-	-	1,397	-	
Open space	336	706	-	-	20	-	-	1,062	-	
Community facilities ¹	(310)	395	-	-	2	-	-	87	-	
Other ¹	(21)	32	-	-	-	(27)	-	(16)	-	
Total ¹	(536)	3,192	-	-	53	(27)	-	2,682	-	
Claremont Meadows										
Drainage ¹	(2,075)	-	-	-	(59)	(141)	-	(2,275)	-	
Roads	636	-	-	-	17	-	-	653	-	
Open space	411	-	-	-	9	(142)	-	278	-	
Community facilities	1,057	-	-	-	29	-	-	1,086	-	
Other	2,209	-	-	-	60	(7)	-	2,262	-	
Total	2,238	-	-	-	56	(290)	-	2,004	-	
Cultural Facilities										
Other ¹	(1,786)	205	-	-	-	-	-	(1,581)	-	
Total	(1,786)	205	-	-	-	-	-	(1,581)	-	
Erskine Business Park										
Drainage	1,147	-	-	-	31	-	-	1,178	-	
Roads ¹	(290)	-	-	-	(8)	-	-	(298)	-	
Other ¹	(286)	-	-	-	(8)	(24)	-	(318)	-	
Total	571	-	-	-	15	(24)	-	562	-	
Glenmore Park Stage 2										
Roads	75	-	-	-	(1)	-	-	74	-	
Open space	454	-	-	-	(3)	(324)	-	127	-	
Community facilities ¹	(436)	-	-	-	5	-	-	(431)	-	
Other	10	-	-	-	-	-	-	10	-	
Total	103	-	-	-	1	(324)	-	(220)	-	

G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2022	Contributions received during the year				Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other						
Lambridge Estate										
Drainage ¹	(3,109)	-	-	-	-	-	-	-	(3,109)	-
Roads	1,302	-	-	-	-	-	-	-	1,302	-
Other	19	-	-	-	-	-	-	-	19	-
Total ¹	(1,788)	-	-	-	-	-	-	-	(1,788)	-
Penrith City District Open Space										
Open space	38,918	1,892	-	-	1,016	(9,556)	-	-	32,270	-
Other	76	19	-	-	-	(29)	-	-	66	-
Total	38,994	1,911	-	-	1,016	(9,585)	-	-	32,336	-
Penrith City Local Open Space										
Open space	3,373	589	-	-	90	(953)	-	-	3,099	-
Other	54	6	-	-	2	(5)	-	-	57	-
Total	3,427	595	-	-	92	(958)	-	-	3,156	-
Waterside										
Roads	1	-	-	-	-	-	-	-	1	-
Open space	201	-	-	-	5	-	-	-	206	-
Other	38	-	-	-	1	(2)	-	-	37	-
Total	240	-	-	-	6	(2)	-	-	244	-
Werrington Enterprise Living and Learning (WELL)										
Drainage ¹	(3)	-	-	-	-	-	-	-	(3)	-
Roads	1,226	7	-	-	33	-	-	-	1,266	-
Open space	6,856	48	-	-	182	(230)	-	-	6,856	-
Community facilities	708	3	-	-	19	-	-	-	730	-
Other ¹	(473)	1	-	-	(13)	(47)	-	-	(532)	-
Total	8,314	59	-	-	221	(277)	-	-	8,317	-
Mamre Road										
Other ¹	(97)	-	-	-	-	(85)	-	-	(182)	-
Total	(97)	-	-	-	-	(85)	-	-	(182)	-

G4-2 Developer contributions by plan (continued)

S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Citywide Non-Residential Development									
Other	3,394	4,144	–	–	152	(433)	–	7,257	–
Total	3,394	4,144	–	–	152	(433)	–	7,257	–

G4-3 S7.4 planning agreements

Planning Agreements									
Other	126	10,099	1,414	953	175	(2,367)	–	10,400	–
Total	126	10,099	1,414	953	175	(2,367)	–	10,400	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(13,538)	(4.79)%	(1.30)%	(8.08)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	282,497				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	252,210	70.29%	68.08%	74.34%	> 60.00%
Total continuing operating revenue ¹	358,818				
3. Unrestricted current ratio					
Current assets less all external restrictions	127,753				
Current liabilities less specific purpose liabilities	22,253	5.74x	4.33x	2.07x	> 1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	44,622	5.51x	5.87x	2.62x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8,101				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	9,878				
Rates and annual charges collectable	197,127	5.01%	5.20%	4.68%	< 5.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	200,089	10.07	10.24	6.81	> 3.00
Monthly payments from cash flow of operating and financing activities	19,870	months	months	months	months

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

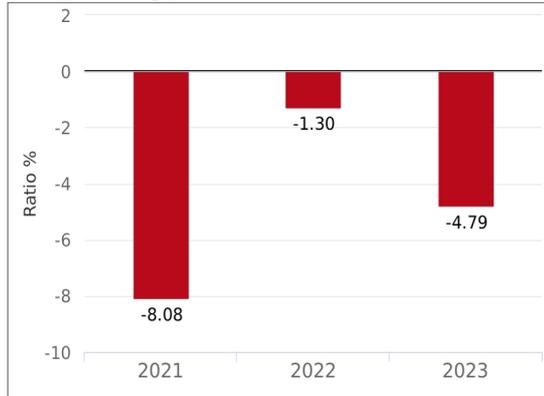
(3) Unrestricted current ratio for prior year 2022 has been restated from 1.59x to 4.33x due to the reclassification of \$23.3m from current to non-current liabilities (see further explanation in Note C3-2 Contract Liabilities)

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2022/23 result

2022/23 ratio (4.79)%

The main reason for the deficit ratio result is the increase in depreciation following comprehensive revaluations. As the replacement cost of Council's assets continue to increase and further assets are constructed, depreciation expenditure will continue to increase. Council continues to plan for the long term (including managing asset management costs), forecasting asset renewal and investment in capital assets and balancing operational revenue and expenditure, with a focus on delivering balanced and sustainable budgets.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2022/23 result

2022/23 ratio 70.29%

The benchmark is greater than 60% - a higher percentage means Council receives more of its revenue from Rates, Fees and Charges, and is less reliant on Grants and Contributions. Council has consistently achieved above benchmark with the majority of Councils income coming from internal funding sources

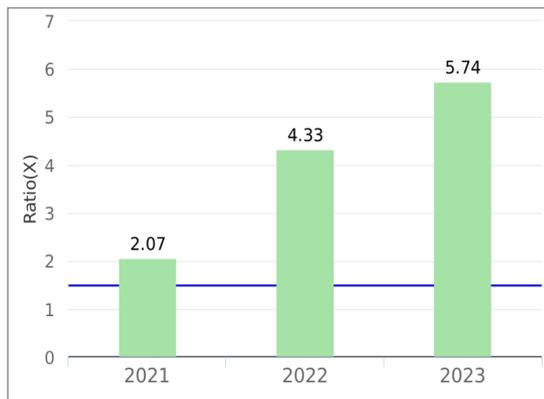
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2022/23 result

2022/23 ratio 5.74x

This is better than the Office of Local Government's benchmark of 1.5:1.

Benchmark: — > 1.50x

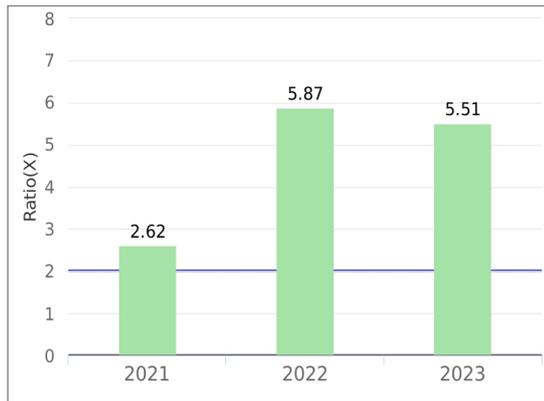
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 5.51x

Council continues to use Borrowings to fund Infrastructure Programs and Projects, however Council's level of debt is continually monitored to ensure it is sustainable without compromising service levels.

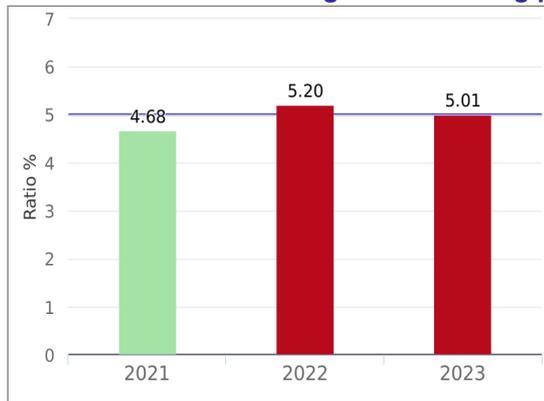
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2022/23 result

2022/23 ratio 5.01%

This ratio was impacted by the challenges faced by the COVID-19 crisis and Council's compassionate response to make payment arrangements, waive certain commercial rent and not enter legal action for outstanding amounts. Council's debt recovery processes recommenced in March 2023 and it is expected that Council will achieve benchmark in 2023-24.

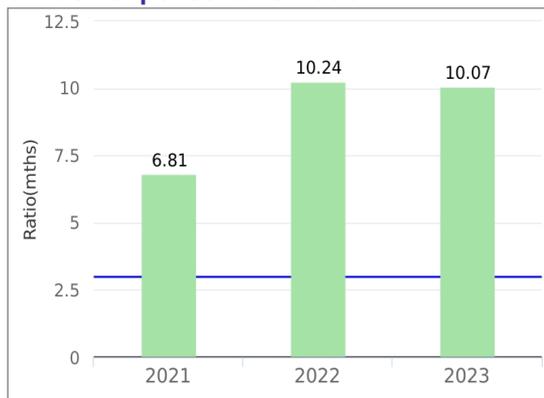
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 10.07 months

Council has sufficient liquidity to meet all cash expenses and exceeds benchmark.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Penrith City Council

To the Councillors of the Penrith City Council

Opinion

I have audited the accompanying financial statements of the Penrith City Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information. The financial statements include the consolidated financial statements of the Council and the entities it controlled at the year's end or from time to time during the year.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

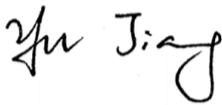
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

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

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



Reiky Jiang
Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY



Councillor Todd Carney
Mayor
Penrith City Council
PO Box 60
PENRITH NSW 2751

Contact: Reiky Jiang
Phone no: 02 9275 7281
Our ref: R008-16585809-47141

31 October 2023

Dear Mayor

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

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

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2023 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2023	2022	Variance
	\$m	\$m	%
Rates and annual charges revenue	186.8	180.2	3.7
Grants and contributions revenue	106.6	106.6	0.0
Operating result from continuing operations	62.4	79.1	21.1
Net operating result before capital grants and contributions	(13.9)	8.2	269.5

Rates and annual charges revenue (\$186.8 million) increased by \$6.6 million (3.7 per cent) in 2022–23, primarily due to the special rate variation of 2.5 per cent and \$1.1 million increase in domestic waste charges.

Grants and contributions revenue (\$106.6 million) is consistent with 2021–22.

The Council's operating result from continuing operations (\$62.4 million including depreciation, amortisation and impairment expense of \$56.6 million) was \$16.7 million lower than the 2021–22 result. This was mainly attributable to:

- \$12.8 million increase in materials and services expense
- \$9.4 million increase in depreciation, amortisation and impairment of non-financial assets
- \$14.8 million decrease in net gain from the disposal of assets
- \$6.6 million increase in rates and annual charges
- \$6.7 million increase in user charges and fees.

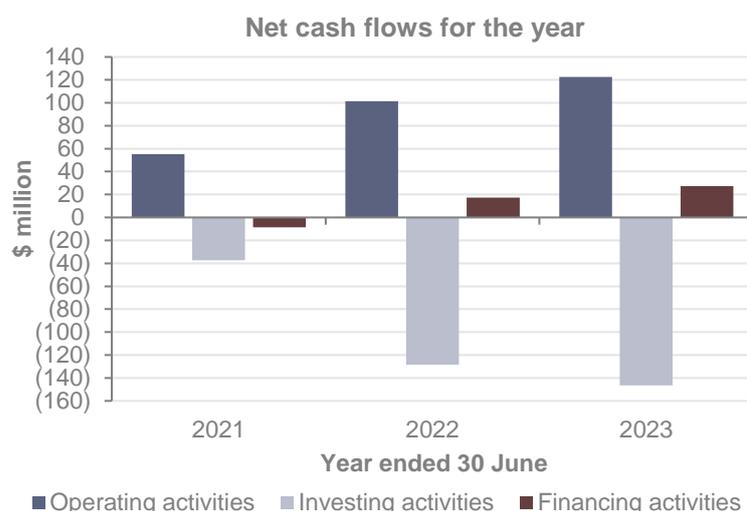
The net operating result before capital grants and contributions (\$13.9 million deficit) was \$22.1 million lower than the 2021–22 result.

STATEMENT OF CASH FLOWS

Cash and cash equivalents increased by \$3.4 million mainly due to the:

- receipt of 2023–24 financial assistance grant in advance
- increase in borrowing.

These are offset by the increase in purchase of investment property and Infrastructure, Property, Plant and Equipment.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	229.6	221.2	Externally restricted balances increased by \$13.5 million primarily due to the increase in: <ul style="list-style-type: none"> • developer contributions – general of \$10.0 million • special purpose unexpended grants – general fund of \$17.0 million.
Restricted and allocated cash, cash equivalents and investments:			These are partially offset by the decrease in domestic waste management of \$8.2 million and specific purpose unexpended loans of \$5.5 million.
• External restrictions	139.5	126.0	

Cash and investments	2023	2022	Commentary
	\$m	\$m	
• Internal allocations	74.0	85.9	Internal allocations are determined by council policies or decisions, which are subject to change. The decrease of \$11.9 million is mainly due to the reduction in allocation to acquisition of land and buildings and financial management.

Debt

At 30 June 2023, Council had:

- \$70.5 million in secured loans (\$43.2 million in 2021–22)
- \$500,000 in approved overdraft facility with \$nil drawn down
- \$550,000 in credit card facility with \$171,000 used.

PERFORMANCE

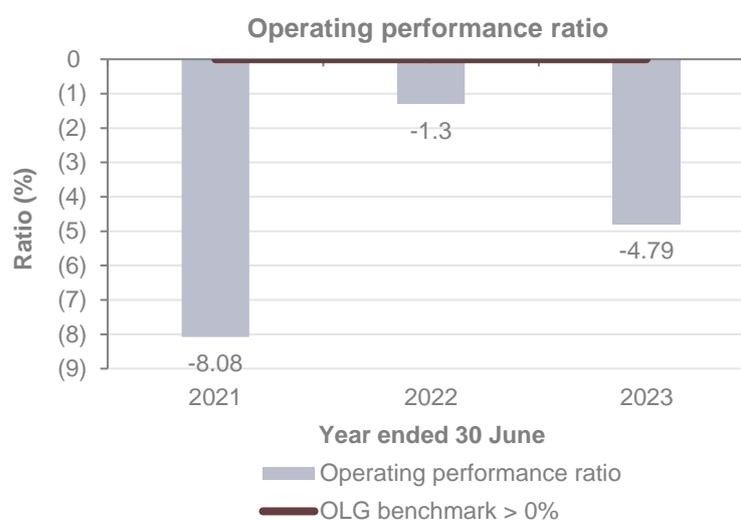
Performance measures

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

Operating performance ratio

The Council did not meet the benchmark for the current reporting period. This is mainly due to the increase in depreciation expense and materials and services expense.

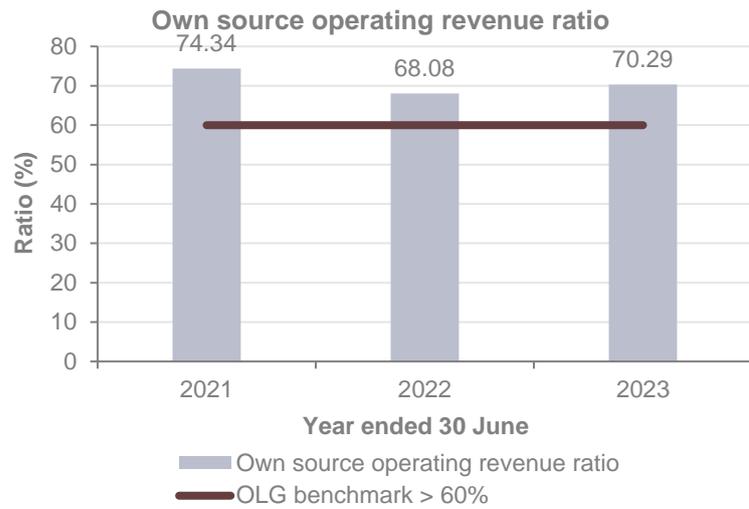
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

The Council met the benchmark for the current reporting period.

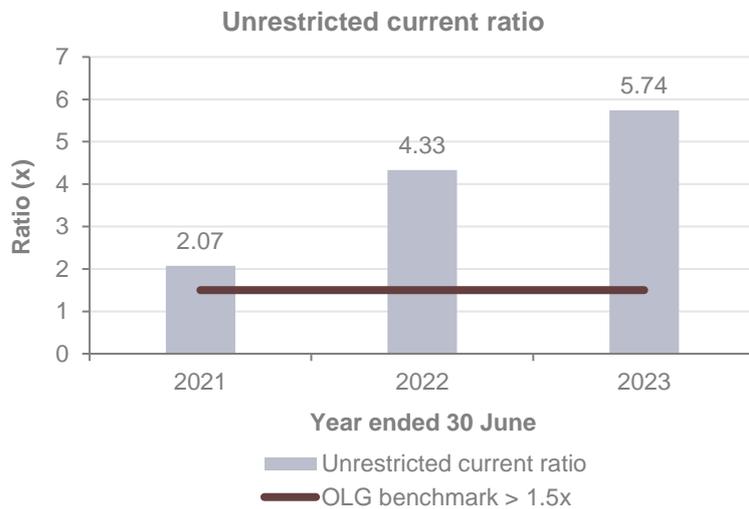
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

The Council exceeded the benchmark for the current reporting period.

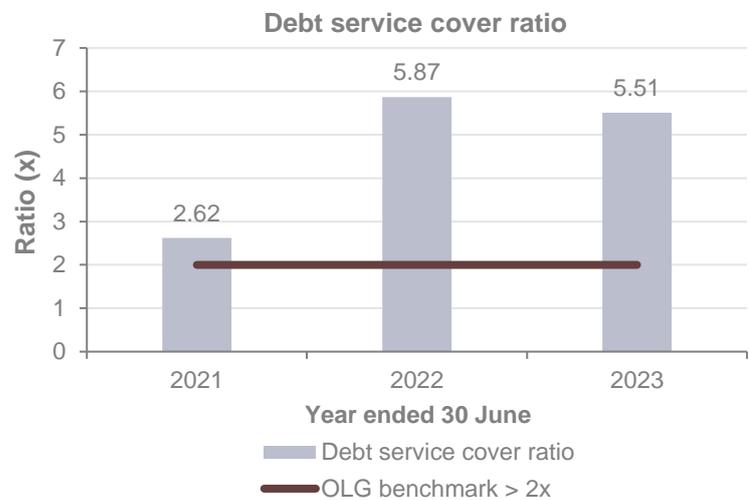
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council exceeded the benchmark for the current reporting period.

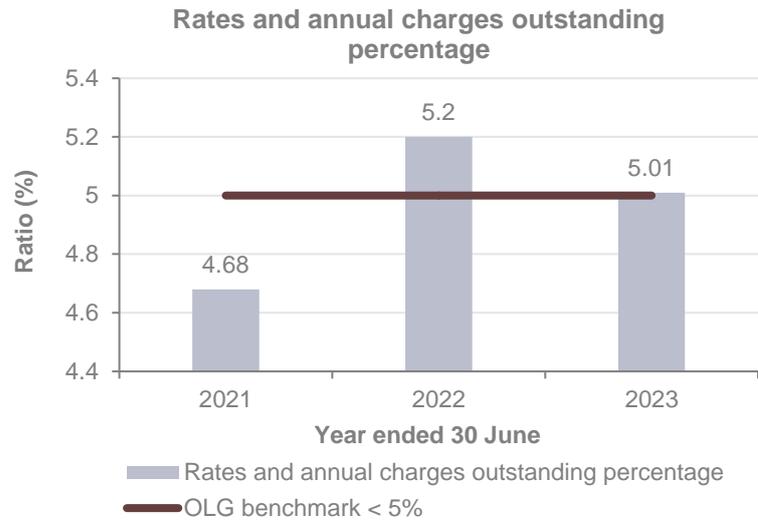
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council did not meet the benchmark for the current reporting period. This ratio has been impacted by the COVID-19 crisis and Council's compassionate response. Council's debt recovery processes recommenced in March 2023.

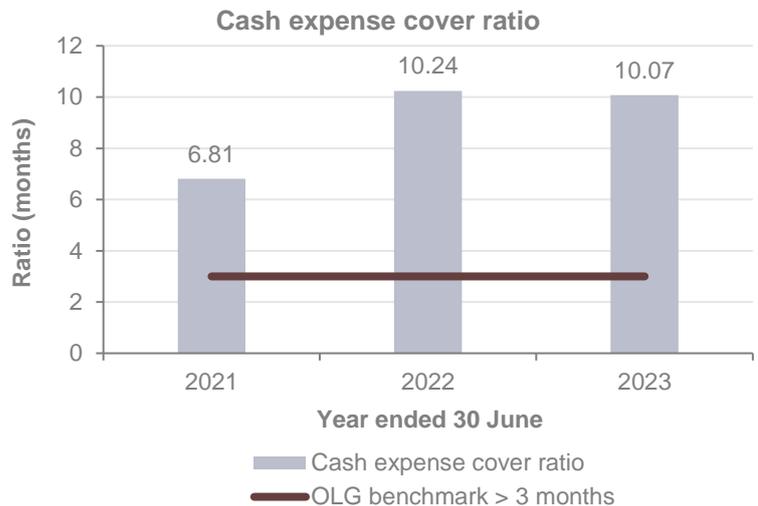
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

The Council exceeded the benchmark for the current reporting period.

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

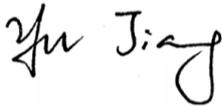
Council renewed \$17.0 million of infrastructure, property, plant and equipment during the 2022–23 financial year. This was mainly spent on roads, buildings and stormwater drainage. A further \$96.7 million was spent on new assets including capital works in progress of \$63.8 million.

OTHER MATTERS

Legislative compliance

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

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



Reiky Jiang
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 2023

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

PENRITH
CITY COUNCIL

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Background

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

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

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

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

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

Penrith City Council

Special Purpose Financial Statements

for the year ended 30 June 2023

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

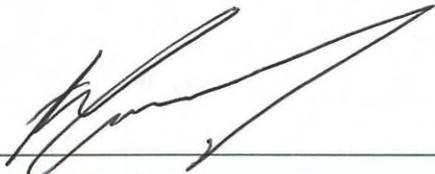
- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- Division of Local Government Guidelines, *Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*
- The Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 23 October 2023.



Clr Todd Carney
Mayor
23 October 2023



Clr Mark Davies
Deputy Mayor
23 October 2023



Andrew Moore
General Manager
23 October 2023



Matthew Bullivant
Responsible Accounting Officer
23 October 2023

Penrith City Council

Income Statement of Children's Services

for the year ended 30 June 2023

\$ '000	2023 Category 1	2022 Category 1 Restated
Income from continuing operations		
User charges	25,506	24,200
Grants and contributions provided for operating purposes	7,588	6,129
Total income from continuing operations	33,094	30,329
Expenses from continuing operations		
Employee benefits and on-costs	26,523	25,828
Materials and services	6,278	4,236
Calculated taxation equivalents	1,320	1,342
Imputed rental	1,004	918
Other expenses	637	456
Total expenses from continuing operations	35,762	32,780
Surplus (deficit) from continuing operations before capital amounts	(2,668)	(2,451)
Surplus (deficit) from continuing operations after capital amounts	(2,668)	(2,451)
Surplus (deficit) from all operations before tax	(2,668)	(2,451)
Surplus (deficit) after tax	(2,668)	(2,451)
Plus accumulated surplus	(3,236)	1,064
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1,320	1,342
– Imputed Rental	1,004	918
Add:		
– Subsidy paid/contribution to operations	(22)	(4,109)
Closing accumulated surplus	(3,602)	(3,236)
Subsidy from Council	2,561	2,451

Penrith City Council

Income Statement of Property Development

for the year ended 30 June 2023

\$ '000	2023 Category 1	2022 Category 1 Restated
Income from continuing operations		
User charges	77	2
Interest and investment income	452	93
Other Income	2,980	2,836
Net gain from the disposal of assets	3,394	–
Other revenue	4,104	–
Total income from continuing operations	11,007	2,931
Expenses from continuing operations		
Employee benefits and on-costs	2,731	2,291
Borrowing costs	305	–
Materials and services	1,720	1,204
Depreciation, amortisation and impairment	2,157	172
Calculated taxation equivalents	1,845	1,804
Debt guarantee fee (if applicable)	1,208	10
Other expenses	389	378
Total expenses from continuing operations	10,355	5,859
Surplus (deficit) from continuing operations before capital amounts	652	(2,928)
Grants and contributions provided for capital purposes	1,446	–
Surplus (deficit) from continuing operations after capital amounts	2,098	(2,928)
Surplus (deficit) from all operations before tax	2,098	(2,928)
Less: corporate taxation equivalent (25%) [based on result before capital]	(163)	–
Surplus (deficit) after tax	1,935	(2,928)
Plus accumulated surplus	56,507	39,407
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1,845	1,804
– Debt guarantee fees	1,208	10
– Corporate taxation equivalent	163	–
– Subsidy paid/contribution to operations	(13,975)	18,214
Closing accumulated surplus	47,683	56,507
Return on capital %	0.6%	(2.7)%
Subsidy from Council	5,227	6,834

Penrith City Council

Income Statement of Penrith Whitewater Stadium

for the year ended 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
Income from continuing operations		
User charges	-	460
Total income from continuing operations	-	460
Expenses from continuing operations		
Employee benefits and on-costs	-	604
Materials and services	-	269
Depreciation, amortisation and impairment	-	86
Total expenses from continuing operations	-	959
Surplus (deficit) from continuing operations before capital amounts	-	(499)
Surplus (deficit) from continuing operations after capital amounts	-	(499)
Surplus (deficit) from all operations before tax	-	(499)
Surplus (deficit) after tax	-	(499)
Plus accumulated surplus	-	950
Add:		
- Subsidy paid/contribution to operations	-	18
Closing accumulated surplus	-	469
Return on capital %	0.0%	(77.7)%
Subsidy from Council	-	522

Penrith City Council

Income Statement of Penrith Performing and Visual Arts Ltd

for the year ended 30 June 2023

\$ '000	2023 Category 1	2022 Category 1 Restated
Income from continuing operations		
User charges	1,591	790
Interest and investment income	30	1
Grants and contributions provided for operating purposes	593	1,072
Total income from continuing operations	2,214	1,863
Expenses from continuing operations		
Employee benefits and on-costs	3,504	2,891
Materials and services	1,476	1,148
Depreciation, amortisation and impairment	70	108
Calculated taxation equivalents	126	92
Imputed rental	1,757	1,608
Total expenses from continuing operations	6,933	5,847
Surplus (deficit) from continuing operations before capital amounts	(4,719)	(3,984)
Surplus (deficit) from continuing operations after capital amounts	(4,719)	(3,984)
Surplus (deficit) from all operations before tax	(4,719)	(3,984)
Surplus (deficit) after tax	(4,719)	(3,984)
Plus accumulated surplus	889	2,734
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	126	92
– Imputed rental	1,757	1,608
Add:		
– Subsidy paid/contribution to operations	2,399	439
Closing accumulated surplus	452	889
Return on capital %	(229.1)%	(195.6)%
Subsidy from Council	4,802	4,059

Penrith City Council

Statement of Financial Position of Childrens' Services

as at 30 June 2023

\$ '000	2023 Category 1	2022 Category 1 Restated
ASSETS		
Current assets		
Investments	1,203	1,215
Receivables	884	341
Total current assets	2,087	1,556
Total assets	2,087	1,556
LIABILITIES		
Current liabilities		
Payables	268	196
Employee benefit provisions	5,421	4,596
Total current liabilities	5,689	4,792
Total liabilities	5,689	4,792
Net assets	(3,602)	(3,236)
EQUITY		
Accumulated surplus	(3,602)	(3,236)
Total equity	(3,602)	(3,236)

Penrith City Council

Statement of Financial Position of Property Development

as at 30 June 2023

\$ '000	2023 Category 1	2022 Category 1
ASSETS		
Current assets		
Investments	3,444	23,070
Other	2	2
Total current assets	3,446	23,072
Non-current assets		
Infrastructure, property, plant and equipment	153,824	106,709
Total non-current assets	153,824	106,709
Total assets	157,270	129,781
LIABILITIES		
Current liabilities		
Payables	135	89
Borrowings	5,744	86
Contract liabilities	320	–
Employee benefit provisions	531	–
Total current liabilities	6,730	175
Non-current liabilities		
Borrowings	24,719	198
Total non-current liabilities	24,719	198
Total liabilities	31,449	373
Net assets	125,821	129,408
EQUITY		
Accumulated surplus	47,683	56,507
Revaluation reserves	78,138	72,901
Total equity	125,821	129,408

Penrith City Council

Statement of Financial Position of Penrith Whitewater Stadium

as at 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	-	217
Investments	-	161
Receivables	-	9
Inventories	-	6
Total current assets	-	393
Non-current assets		
Infrastructure, property, plant and equipment	-	642
Total non-current assets	-	642
Total assets	-	1,035
LIABILITIES		
Current liabilities		
Contract liabilities	-	146
Payables	-	21
Employee benefit provisions	-	399
Total current liabilities	-	566
Total liabilities	-	566
Net assets	-	469
EQUITY		
Accumulated surplus	-	469
Total equity	-	469

Penrith City Council

Statement of Financial Position of Penrith Performing and Visual Arts Ltd

as at 30 June 2023

\$ '000	2023 Category 1	2022 Category 1 Restated
ASSETS		
Current assets		
Cash and cash equivalents	1,809	880
Investments	687	874
Receivables	492	–
Inventories	10	14
Contract assets and contract cost assets	56	–
Other	88	44
Total current assets	3,142	1,812
Non-current assets		
Infrastructure, property, plant and equipment	2,060	2,037
Right of use assets	19	–
Total non-current assets	2,079	2,037
Total assets	5,221	3,849
LIABILITIES		
Current liabilities		
Payables	630	267
Contract liabilities	1,849	510
Lease liabilities	11	–
Employee benefit provisions	180	177
Total current liabilities	2,670	954
Non-current liabilities		
Lease liabilities	8	–
Employee benefit provisions	257	204
Total non-current liabilities	265	204
Total liabilities	2,935	1,158
Net assets	2,286	2,691
EQUITY		
Accumulated surplus	452	889
Revaluation reserves	1,834	1,802
Total equity	2,286	2,691

Note – Significant Accounting Policies

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

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

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

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993 (Act)*, the *Local Government (General) Regulation 2021 (Regulation)* and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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 revenue 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).
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.

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

Penrith Whitewater Stadium (PWS) was undeclared as a business activity in the 2022-23 financial year through a Council resolution on 29 May 2023. Due to this, this business activity has no values to report in the 2023 financial year, the 2022 financial year has been left with prior year figures. PWS provided whitewater canoe slalom facilities for competition, training and recreation purposes.

Taxation equivalent charges

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

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

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

	Notional rate applied (%)
Company income tax rate	25% (21/22 25%) Lower company tax rate for base rate entities under the \$50m threshold.
Land tax	The first \$969,000 of combined land values attracts 0%. For the combined land values in excess of \$969,001 up to \$5,925,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$5,925,000 a premium marginal rate of 2.0% applies.
Payroll tax	5.45% on the value of taxable salaries and wages in excess of \$1,200,000.

Income tax

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

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.

Note – Significant Accounting Policies (continued)

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council’s business activities on the Income Statement, with the exception of Childrens Services which are prepared on the basis of a tenant of Council without IPPE.

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 4.00% at 30/6/23.

(iii) Dividends

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

Correction of errors

Nature of prior period error

In prior year’s, employee benefit provisions for Council’s Children’s Services business activity had been omitted from the statement of financial position in error. Employee benefit provisions have been included for 2023 based on the current calculation methods for Councils General Purpose Financial Statements Employee benefit provision. Figures have been changed in the prior period for comparative purposes as it is considered material.

Correction of errors (continued)

In prior year's, revaluation reserves for Council's Penrith Performing and Visual Arts business activity had been included within accumulated surplus. Revaluation reserves have been reclassified in 2023. Figures have been changed in the prior period for comparative purposes as it is considered material.

In prior year's, the Income Statement for Property Development business activity has incorrectly included revaluation reserves in the accumulated surplus balance. Revaluation reserves have now been excluded. Figures have been changed in prior year period for comparative purposes as it is considered material.

The impact of each line item is shown in the table below:

Adjustments to the comparative figures for the year ended 30 June 2022 - Children's Services

Statement of Financial Position	Original Balance, 30 June 2022	Impact Increase / (Decrease)	Restated, 30 June 2022
'000			
Employee benefit provisions	0	4,596	4,596
Total current liabilities	196	4,596	4,792
Total liabilities	196	4,596	4,792
Net assets	1,360	-4,596	-3,236
Total equity	1,360	-4,596	-3,236

Income Statement	Original Balance, 30 June 2022	Impact Increase / (Decrease)	Restated, 30 June 2022
'000			
Subsidy paid/contribution to operations	487	-4,596	-4,109
Closing accumulated surplus	1,360	-4,596	-3,236

Adjustments to the comparative figures for the year ended 30 June 2022 - Penrith Performing and Visual Arts

Statement of Financial Position	Original Balance, 30 June 2022	Impact Increase / (Decrease)	Restated, 30 June 2022
'000			
Accumulated surplus	2,691	-1,802	889
Revaluation reserves	0	1,802	1,802
Total equity	2,691	0	2,691

Income Statement	Original Balance, 30 June 2022	Impact Increase / (Decrease)	Restated, 30 June 2022
'000			
Subsidy paid/contribution to operations	2,241	-1,802	439
Closing accumulated surplus	2,691	-1,802	889

Adjustments to the comparative figures for the year ended 30 June 2022 - Property Development

Income Statement	Original Balance, 30 June 2022	Impact Increase / (Decrease)	Restated, 30 June 2022
'000			
Plus accumulated surplus	104,164	-64,757	39,407
Subsidy paid/contributions to operations	26,358	-8,144	18,214
Closing accumulated surplus	129,408	-72,901	56,507



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 the 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 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant accounting policies note.

The Declared Business Activities of the Council are:

- Children's Services
- Property Development
- 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 2023, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang
Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

Penrith City Council

SPECIAL SCHEDULES
for the year ended 30 June 2023

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

PENRITH
CITY COUNCIL

Penrith City Council

Special Schedules

for the year ended 30 June 2023

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Report on infrastructure assets as at 30 June 2023	5

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 2022/23	Calculation 2023/24
Notional general income calculation ¹			
Last year notional general income yield	a	140,354	145,536
Plus or minus adjustments ²	b	2,301	2,248
Notional general income	c = a + b	142,655	147,784
Permissible income calculation			
Special variation percentage ³	d	2.50%	0.00%
Or rate peg percentage	e	0.00%	3.70%
Plus special variation amount	h = d x (c + g)	3,566	–
Or plus rate peg amount	i = e x (c + g)	–	5,468
Sub-total	k = (c + g + h + i + j)	146,221	153,252
Plus (or minus) last year's carry forward total	l	1	1
Less valuation objections claimed in the previous year	m	(52)	(367)
Sub-total	n = (l + m)	(51)	(366)
Total permissible income	o = k + n	146,170	152,886
Less notional general income yield	p	146,536	152,473
Catch-up or (excess) result	q = o – p	(366)	413
Plus income lost due to valuation objections claimed ⁴	r	367	–
Carry forward to next year ⁶	t = q + r + s	1	413

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable, the 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 Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Penrith City Council

To the Councillors of the Penrith City Council

Opinion

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

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2023'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

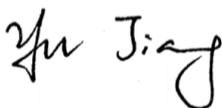
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Reiky Jiang
Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

Penrith City Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Buildings	Buildings	16,681	16,681	7,185	3,722	311,204	515,354	21.0%	52.0%	14.0%	13.0%	0.0%
	Sub-total	16,681	16,681	7,185	3,722	311,322	515,354	21.0%	52.0%	14.0%	13.0%	0.0%
Roads	Sealed roads	12,302	12,302	10,072	15,827	615,709	820,148	11.0%	54.0%	30.0%	4.0%	1.0%
	Unsealed roads	357	357	337	53	2,956	5,492	2.0%	20.0%	60.0%	10.0%	8.0%
	Bridges	4,619	4,619	3,326	–	44,191	80,338	46.0%	16.0%	15.0%	23.0%	0.0%
	Footpaths	439	439	1,140	81	97,317	175,579	29.0%	33.0%	37.0%	1.0%	0.0%
	Other road assets	15,291	15,291	5,530	234	229,282	470,484	40.0%	22.0%	28.0%	7.0%	3.0%
	Sub-total	33,008	33,008	20,405	16,195	989,456	1,552,041	23.6%	39.8%	29.5%	5.6%	1.5%
Stormwater drainage	Stormwater drainage	42,378	42,378	3,042	1,996	639,079	941,744	12.0%	33.0%	41.0%	10.0%	4.0%
	Sub-total	42,378	42,378	3,042	1,996	639,079	941,744	12.0%	33.0%	41.0%	10.0%	4.0%
Open space / recreational assets	Swimming pools	–	–	148	934	5,945	7,925	0.0%	100.0%	0.0%	0.0%	0.0%
	Other	1,090	1,090	13,474	12,853	107,182	145,392	4.0%	91.0%	4.0%	1.0%	0.0%
	Sub-total	1,090	1,090	13,622	13,787	113,127	153,317	3.8%	91.5%	3.8%	0.9%	0.0%
Total – all assets		93,157	93,157	44,254	35,700	2,052,984	3,162,456	18.8%	42.3%	29.2%	7.9%	1.8%

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

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Penrith City Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicators		Benchmark
			2022	2021	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	20,432	44.14%	65.45%	72.38%	> 100.00%
Depreciation, amortisation and impairment	46,284				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	93,157	4.36%	3.85%	1.68%	< 2.00%
Net carrying amount of infrastructure assets	2,137,078				
Asset maintenance ratio					
Actual asset maintenance	35,700	80.67%	60.88%	81.53%	> 100.00%
Required asset maintenance	44,254				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	93,157	2.95%	2.60%	1.15%	
Gross replacement cost	3,162,456				

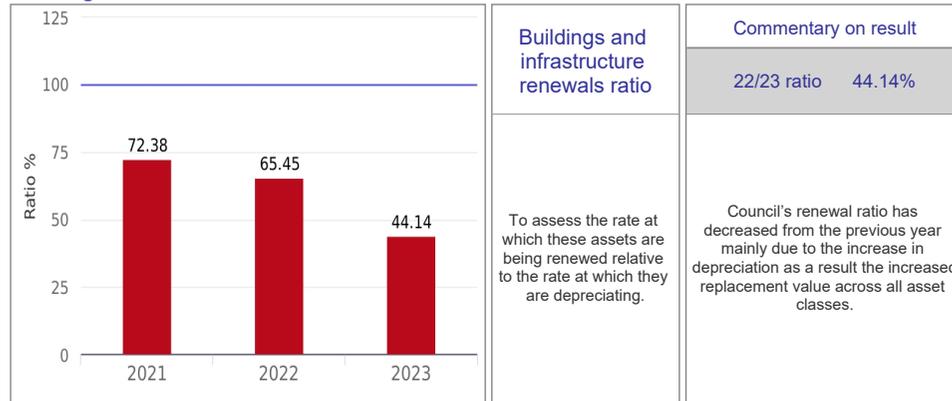
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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 2023

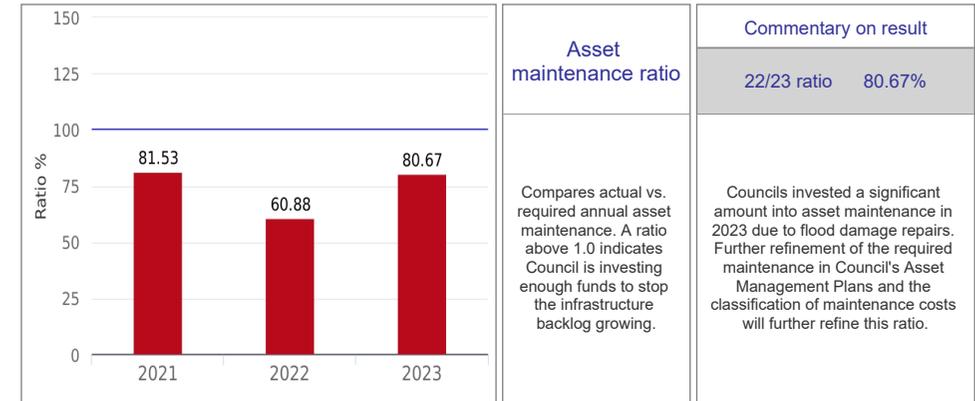
Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio	Commentary on result
	22/23 ratio 44.14%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	Council's renewal ratio has decreased from the previous year mainly due to the increase in depreciation as a result the increased replacement value across all asset classes.

Benchmark: — > 100.00%
 Source of benchmark: Code of Accounting Practice and Financial Reporting
■ Ratio achieves benchmark
■ Ratio is outside benchmark

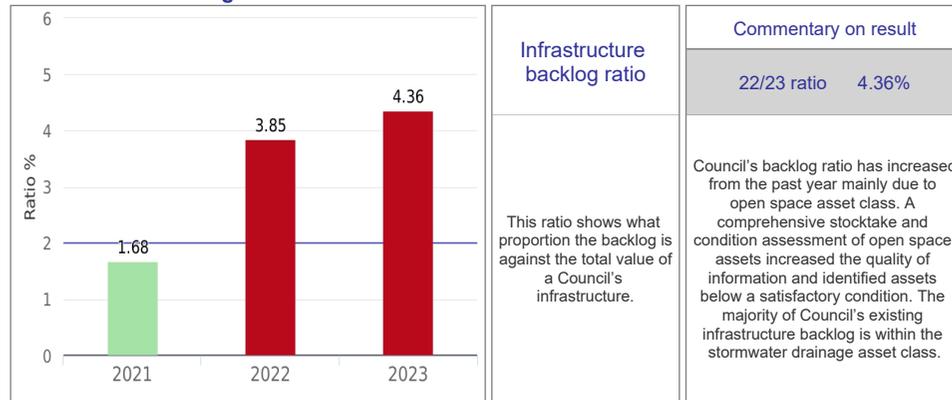
Asset maintenance ratio



Asset maintenance ratio	Commentary on result
	22/23 ratio 80.67%
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.	Councils invested a significant amount into asset maintenance in 2023 due to flood damage repairs. Further refinement of the required maintenance in Council's Asset Management Plans and the classification of maintenance costs will further refine this ratio.

Benchmark: — > 100.00%
 Source of benchmark: Code of Accounting Practice and Financial Reporting
■ Ratio achieves benchmark
■ Ratio is outside benchmark

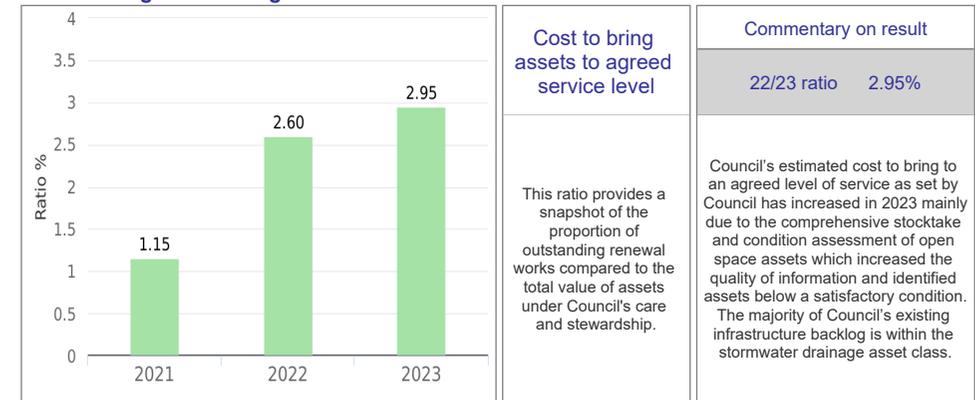
Infrastructure backlog ratio



Infrastructure backlog ratio	Commentary on result
	22/23 ratio 4.36%
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	Council's backlog ratio has increased from the past year mainly due to open space asset class. A comprehensive stocktake and condition assessment of open space assets increased the quality of information and identified assets below a satisfactory condition. The majority of Council's existing infrastructure backlog is within the stormwater drainage asset class.

Benchmark: — < 2.00%
 Source of benchmark: Code of Accounting Practice and Financial Reporting
■ Ratio achieves benchmark
■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level	Commentary on result
	22/23 ratio 2.95%
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.	Council's estimated cost to bring to an agreed level of service as set by Council has increased in 2023 mainly due to the comprehensive stocktake and condition assessment of open space assets which increased the quality of information and identified assets below a satisfactory condition. The majority of Council's existing infrastructure backlog is within the stormwater drainage asset class.