

REPORTS TO COUNCIL - FOR COUNCIL DECISION

ITEM NUMBER	13.8
SUBJECT	LATE REPORT: Presentation of the Audited 2022-2023 Annual Financial Statements
REFERENCE	F2022/03176 - D09160373
REPORT OF	Acting Financial Accounting, Treasury & Payables Manager

PURPOSE:

The purpose of this report is for the Council to receive and authorise the audited 2022-23 Annual Financial Statements for the year ending 30 June 2023, and to receive the Auditor's Report from the Audit Office of New South Wales.

RECOMMENDATION

- (a) That Council authorises the Lord Mayor, Deputy Lord Mayor, Chief Executive Officer and Responsible Accounting Officer to sign the following:
1. 2022-23 General Purpose Financial Statements – Statement by Councillors and Management;
 2. 2022-23 Special Purpose Financial Statements – Statement by Councillors and Management
- (b) That Council receive and note the Draft Engagement Closing Report for the 2022-23 Annual Financial Statements.
- (c) That Council authorises the release of the audited 2022-23 Annual Financial Statements to the Office of Local Government and for public exhibition.

BACKGROUND

1. Council's audited 2022-23 Annual Financial Statements for the year ended 30 June 2023 have been completed and are submitted to Council for authorisation and formal referral to the Audit Office of New South Wales.
2. Council's 2022-23 Annual Financial Statements include the following:
 - a) The General Purpose Financial Statements
 - b) The Special Purpose Financial Statements
 - c) The Special Schedules.
3. The 2022-23 Annual Financial Statements were presented to the Audit, Risk and Improvement Committee (ARIC) on 19 October 2023. The ARIC recommended that the 2022-23 Annual Financial Statements be approved by Council subject to amendments as contained within the ARIC minutes, which have been updated.
4. The 2022-23 Annual Financial Statements were presented to the Finance Committee on 18 October 2023. The Finance Committee endorsed the Financial Statements to be presented for authorisation to the Council Meeting on 23 October 2023.

5. The 2022-23 Annual Financial Statements are attached to this report. Once Council has approved the Financial Statements and the delegated persons sign the statements, the Independent Auditor's report will be finalised and released.
6. A representative of the Audit Office of New South Wales will present the Independent Auditor's Report and answer any questions at the Council meeting to be held on 20 November 2023.
7. Section 420 of the *Local Government Act 1993*, requires Council to make the audited financial reports and auditor reports available for public submissions. Submissions must be in writing and lodged with Council within seven (7) days after being made available. A Council Report will be provided summarising the submissions received.

ISSUES/OPTIONS/CONSEQUENCES

8. Attachment 1 to this report contains the General-Purpose Financial Statements for the year ended 30 June 2023 which include the statutory financial statements along with associated notes. Also included are the Special Purpose Financial Statements for the year ended 30 June 2023 (Attachment 2) and Special Schedules for the year ended 30 June 2023 (Attachment 3). These reports are prepared in accordance with the requirements under the Office of Local Government Code of Accounting Practice and Financial Reporting.
9. The 2022-23 Annual Financial Statements outline Council's statutory financial performance and position in accordance with Australian Accounting Standards. They are designed for the general purpose of allowing external parties and the community to understand the overall financial performance and position of the Council, and to compare its financial performance with other similar organisations.
10. Included below are the key highlights from the Statements.

Financial Performance

Council's net operating result before capital grants and contributions for the financial year 2022-23 is a surplus of \$33.7m, which is a reduction of (\$8.2m) from \$41.9m in 2021-22.

Total Income from Continuing Operations increased by \$10.3m from 2021-22, driven by:

- \$9.5m increase in User Charges & Fees from strong post-Covid-19 recovery in income from parking stations, meters, road permits, childcare and venues/performances.
- \$7.2m increase in Rates and Annual Charges.
- \$4.5m increase in Other Revenues driven by 9 Wentworth Street lease income, and uplift in infringement revenue from easing of Covid-19 travel restrictions.
- \$1.1m increase in Operating Grants and Contribution mostly attributable to an increase in the amount received in advance for the Financial Assistance Grant.

- (\$20.3m) decrease in Capital Grants and Contributions due to the 2021-22 recognition of tied income received for Parramatta Aquatic Centre, Parramatta Road Urban Amenities Improvement Program completion of milestones, and Epping to Carlingford Cycleway.
- \$3.7m increase in Interest and Investment Income driven by strong rebound in shares and improved returns on Term Deposit, Long Term & Growth Funds.
- \$27.4m increase in Other Income driven by significant increase in assets handed over under the Parramatta Light Rail (PLR) agreement with Transport for NSW (stage 1 hand over now complete).

Total Expenses from Continuing Operations increased by (\$38.7m) from 2021-22, driven by:

- (\$17.3m) increase in Employee Benefits and On-costs primarily due to lower vacancies, and award pay increases.
- (\$9.9m) increase in Materials and Services resulting from increased consultancies, ICT Maintenance, legal fees, cleaning, and security services.
- \$0.5m decrease in Borrowing Costs from reduced interest payments made for the Parramatta Square Loan, which was fully repaid.
- (\$10.2m) increase in Depreciation, Amortisation and Impairment of non-financial assets driven by the 2021-22 indexation of assets, a net decrement on revaluation of footpath assets, and higher depreciation arising from the increase in asset additions.
- \$2.5m decrease in Other Expenses driven by a Fair Value increment on investments in 2022-23 (recognised in Other Income) compared to a Fair Value decrement in 2021-22.
- (\$4.2m) increase in Net Loss from the Disposal of Assets, mainly the disposal of footpaths arising from PLR.

Council's cash and investments decreased by (\$38.6m) from \$551m to \$512m (including investments to Civic Risk). This decrease is mainly due to the utilisation of internal restrictions, particularly from the Property Reserve, to fund major capital projects such as PHIVE, Town Hall, Public Domain, and Parramatta Aquatic Centre.

Council's receivables mainly consist of the sale of 6&8 Parramatta Square land \$98.4m.

The increase in Infrastructure, property, plant, and equipment (IPPE) is primarily driven by a 6.6% indexation of assets resulting from a high-level assessment of Gross Replacement Cost and the determination that there is no material change in asset condition. The Capital WIP (Work In Progress) balance decreased mainly due to the completion of PHIVE building and Public Domain construction costs.

Council's loan liability decreased from \$12.5m to \$2.8m during 2022-23, a total of \$9.7m. There were no new loans during 2022-23.

Special Purpose Financial Statements

Council identified its Multi-level Car Park operations and Commercial Property Portfolio as Category 1 in accordance with the requirement of National Competition Policy (NCP) guidelines.

Special Schedule – Report on Infrastructure

The purpose of this schedule is to allow an assessment of the condition of Council's public Works' assets and how Council is performing in managing these assets.

ISSUES/OPTIONS/CONSEQUENCES

11. Audited Financial Statement must be submitted to the Office of Local Government by 31 October 2023.
12. Council is required to authorise the financial statements and send them to the NSW Audit Office before we can receive the final Auditors report.
13. Within five (5) weeks, the NSW Audit Office will attend Council to present to their final overview of the financial statements and other financial matters arising.

CONSULTATION & TIMING

Stakeholder Consultation

14. The following stakeholder consultation has been undertaken in relation to this matter:

Date	Stakeholder	Stakeholder Comment	Council Officer Response	Responsibility
18 October 2023	Finance Committee	Endorsed for Council adoption	n/a	Executive Director, F&I

Councillor Consultation

15. The following Councillor consultation has been undertaken in relation to this matter:

Date	Councillor	Councillor Comment	Council Officer Response	Responsibility
19 October 2023	Audit, Risk. and Improvement Committee	Approved subject to amendments as contained within the ARIC minutes.	Updated.	Executive Director, F&I

LEGAL IMPLICATIONS FOR COUNCIL

16. There are no legal implications for Council associated with this report.

FINANCIAL IMPLICATIONS FOR COUNCIL

17. If Council resolves to approve this report in accordance with the proposed resolution, there are no financial impacts on the budget.
18. The table below summarises the financial impacts on the budget arising from approval of this report.

	FY 22/23	FY 23/24	FY 24/25	FY 25/26
Operating Result				
External Costs				
Internal Costs				
Depreciation				
Other				
Total Operating Result	Nil	Nil	Nil	Nil
Funding Source				
CAPEX				
CAPEX				
External				
Internal				
Other				
Total CAPEX	Nil	Nil	Nil	Nil
Funding Source				

Dileesha Goonetilleke
Acting Financial Accounting, Treasury & Payables Manager

Amit Sharma
Chief Financial Officer

John Angilley
Executive Director Finance & Information

Gail Connolly
Chief Executive Officer

ATTACHMENTS:

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| 1 Attachment 1 - Audited General Purpose Financial Statements 2022-23 | 11 Pages |
| 2 Attachment 2 - Audited Special Purpose Financial Statements 2022-23 | 7 Pages |
| 3 Attachment 3 - Special Schedules 2022-23 | 20 Pages |
| 4 Attachment 4 - DRAFT FA1776 Engagement Closing Report 2023 | 20 Pages |

REFERENCE MATERIAL