
REPORTS TO COUNCIL - FOR COUNCIL DECISION

ITEM NUMBER	13.8
SUBJECT	Presentation of the Audited 2021-2022 Annual Financial Statements
REFERENCE	F2022/00105 - D08710046
REPORT OF	Financial Accounting and Treasury Manager

PURPOSE:

For the Council to receive and authorise the audited 2021-22 Annual Financial Statements for the year ending 30 June 2022, 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. 2021-22 General Purpose Financial Statements – Statement by Councillors and Management;
 2. 2021-22 Special Purpose Financial Statements – Statement by Councillors and Management
- (b) **That** Council receive and note the Auditor's Report on the 2021-22 Annual Financial Statements.
- (c) **Further, that** Council authorises the release of the audited 2021-22 Annual Financial Statements to the Office of Local Government and for public exhibition.

BACKGROUND

1. Council's audited 2021-22 Annual Financial Statements for the year ended 30 June 2022 have been completed and are submitted to Council for authorisation and formal referral to the Audit Office of New South Wales.
2. Council's 2021-22 Annual Financial Statements include the following:
 - a) The General Purpose Financial Statements
 - b) The Special Purpose Financial Statements
 - c) The Special Schedules.
3. The 2021-22 Annual Financial Statements were presented to the Audit, Risk and Improvement Committee (ARIC) on 6 October 2022. The ARIC recommended that the 2021-22 Annual Financial Statements be approved by Council subject to amendments as contained within the ARIC minutes.
4. The 2021-22 Annual Financial Statements were presented to the Finance Committee on 27 September 2022. The Finance Committee endorsed the Financial Statements to be presented for authorisation to the Council Meeting on 31 October.

5. The 2021-22 Annual Financial Statements are attached. Once Council has approved these Financial Statements, the delegated persons signs the statements the Auditor's report will be finalised and released.
6. A representative of the Audit Office of New South Wales will present the Auditor's Report and answer any questions at the Council meeting. Attachment 4 contains the Draft Report on the Conduct of the Audit prepared by the Audit Office of New South Wales.
7. Under section 420 of the Local Government Act 1993, Council is required 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 contains the General Purpose Financial Statements for the year ended 30 June 2022 which include the statutory financial statements along with associated notes. Also included are the Special Purpose Financial Statements for the year ended 30 June 2022 (Attachment 2) and Special Schedules for the year ended 30 June 2022 (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 2021-22 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. It does not reflect the unrestricted cash result of the organisation.
10. Included below are the key highlights from the Statements.

Financial Performance

- Council's operating result was a surplus of \$124.9m (original budget: \$45.6m). This result is predominantly attributed to the additional income as follows:
 - compulsory sale of Horwood place car park of \$36.3m,
 - value of the asset transferred from Transport NSW from the Parramatta Light Rail project \$16.7m,
 - operational grants of \$13.7m,
 - gain from the compulsory sale of 70 Macquarie Street land and building to State Government \$7.8m,
 - \$3.5m income from the lease of the office building (9 Wentworth Street, Parramatta) purchased at the beginning of the financial year 2021-22.
- Council's net operating result before capital grants and contributions is a surplus of \$41.9m (original budget: loss of \$15.9m).
- Council's cash and investments decreased by \$2.2m from \$553.2m to \$551.0m.

- Council's loan liability decreased from \$21.7m to \$12.5m during 2021-22, a total of \$9.2m. From the remaining loan liability, approximately \$6.0m relates to Parramatta Square.

There were no new loans during 2021-22.

- Council's financial indicators outlined in Note G1-1 are either close to or performing above benchmark. The exceptions being the Rates, Annual Charges Outstanding Percentage which has deteriorated and closed almost double the benchmark, due to Council's decision not to pursue debtors in financial hardship during the Covid-19 pandemic. This has impacted Council's unrestricted cash position.
 - The annual summary of variances against original budget (>10%) are commented upon in Note B5-1.
11. Note C1-5 to the financial statements provides for the summary of Council's infrastructure assets and movements during the year. Special Schedule 7 provides information related to the condition of Council's infrastructure assets.

Net Working Funds

12. The Net Working Funds is the available working capital Council has to fund operations and renewal capital.
13. The Net Working Funds as at 30 June 2022 were \$93.2m. This is an increase of \$26.8m during the year. The cash inflow for Net Working Funds is positive and was achieved due to an underspend in General Funded Capex. This underspend on general Capex did impact the condition of the assets and will need to increase in future years. Council infrastructure renewals was 96.58% and within the benchmark and the backlog is 0.67% favourable to the benchmark.
14. Council will need to continue to review the unrestricted cash position to make sure it maintains a sustainable financial position and has available cash to fund the renewal of assets when required.
15. Unrestricted cash at bank balance is \$113.6m, which is \$26.6m higher than the previous year.

Special Purpose Financial Statements

16. Special Purpose Financial Report. Council identified its Multi-level Car Park operations Commercial Property Portfolio as Category 1 in accordance with the requirements of National Competition Policy (NCP) guidelines. Commercial Property Portfolio was disclosed under Category 2 in the prior year but exceeded the threshold of \$2m revenue and is disclosed under Category 1 in financial year 2021-22, primarily due to income from the lease of office building purchased in the beginning of financial year 2021-22.

Special Schedule 7 – Condition of Public Works

17. 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.
18. Based on this measure, the backlog figure is \$15.4m. The infrastructure backlog is calculated based on improving the condition of assets currently in condition rating 4 (poor) and 5 (very poor), to condition rating 3.

ISSUES/OPTIONS/CONSEQUENCES

19. Audited Financial Statement must be submitted to the Office of Local Government by 31 October 2022. Council requested an extension until 30 November 2022.
20. Council is required to authorise the financial statements and send them to the NSW Audit office before we can receive the final Auditors report.
21. Within 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 & TIMINGStakeholder Consultation

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

Date	Stakeholder	Stakeholder Comment	Council Officer Response	Responsibility
27 September 2022	Finance Committee	Endorsed for Council adoption	n/a	Chief Finance and Information Officer

Councillor Consultation

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

Date	Councillor	Councillor Comment	Council Officer Response	Responsibility
06 October 2022	Audit, Risk, and Improvement Committee	Approved subject to amendments as contained within the ARIC minutes	n/a	Chief Finance and Information Officer

LEGAL IMPLICATIONS FOR COUNCIL

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

FINANCIAL IMPLICATIONS FOR COUNCIL

25. If Council resolves to approve this report in accordance with the proposed resolution, there are no financial impacts on the budget.

26. The table below summarises the financial impacts on the budget arising from approval of this report.





	FY 21/22	FY 22/23	FY 23/24	FY 24/25
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				

Aigul Utegenova
Financial Accounting and Treasury Manager

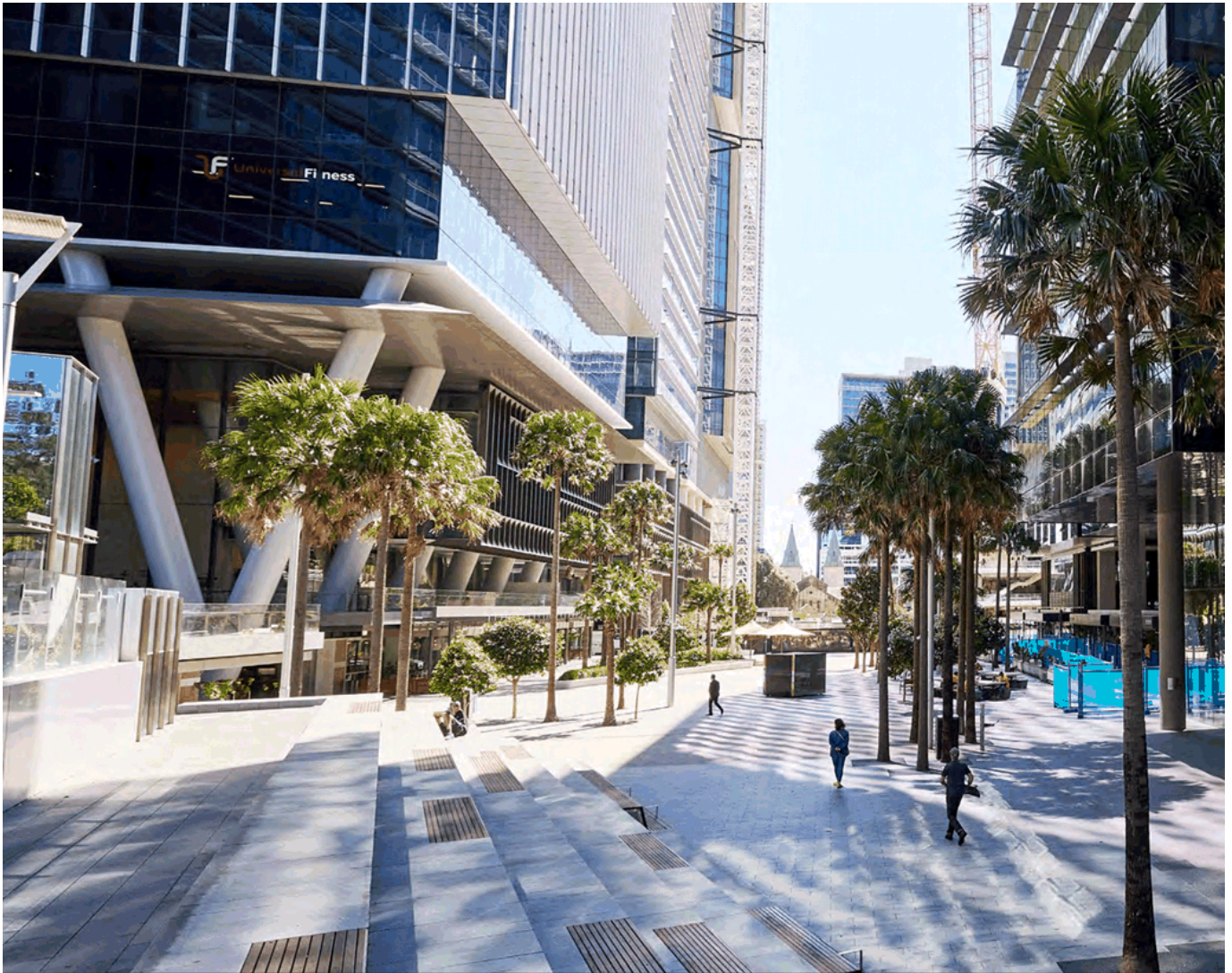
John Angilley
Chief Financial and Information Officer

Bryan Hynes
Acting Chief Executive Officer

ATTACHMENTS:

1 	General Purpose Financial Statement	83 Pages
2 	Special Purpose Financial Statement	10 Pages
3 	Special Schedules	7 Pages
4 	Draft FA1776 Report on the Conduct of the Audit 2022	7 Pages

REFERENCE MATERIAL



General Purpose Financial Statements

for the year ended 30 June 2022



**CITY OF
PARRAMATTA**

City of Parramatta Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

**126 Church Street
Parramatta NSW 2150**

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.parracity.nsw.gov.au.

City of Parramatta Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

- the *Local Government Act 1993 (NSW)* 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 ended 30 June 2022
- 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 31 October 2022.

Donna Davis
Lord Mayor
31 October 2022

Sameer Pandey
Deputy Lord Mayor
31 October 2022

Bryan Hynes
Chief Executive Officer
31 October 2022

John Angilley
Responsible Accounting Officer
31 October 2022

City of Parramatta Council | Income Statement | for the year ended 30 June 2022

City of Parramatta Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Income from continuing operations				
203,395	Rates and annual charges	B2-1	204,464	197,847
31,513	User charges and fees	B2-2	24,209	29,475
13,210	Other revenues	B2-3	7,577	7,364
18,001	Grants and contributions provided for operating purposes	B2-4	29,978	21,562
61,386	Grants and contributions provided for capital purposes	B2-4	82,957	46,037
6,289	Interest and investment income	B2-5	8,857	6,600
3,394	Other income	B2-6	24,704	14,231
(2,500)	Net gain from the disposal of assets	B4-1	22,999	19,215
334,688	Total income from continuing operations		405,745	342,331
Expenses from continuing operations				
131,840	Employee benefits and on-costs	B3-1	120,727	123,837
102,114	Materials and services ¹	B3-2	100,554	91,123
1,489	Borrowing costs	B3-3	982	2,060
51,995	Depreciation, amortisation and impairment of non-financial assets	B3-4	50,715	49,534
1,692	Other expenses	B3-5	7,871	6,326
289,130	Total expenses from continuing operations		280,849	272,880
45,558	Net operating result for the year attributable to Council		124,896	69,451
(15,828)	Net operating result for the year before grants and contributions provided for capital purposes		41,939	23,414

(1) Council has reclassified the Material and Services items within the Note to improve the presentation. There is no impact on the prior year's total Material and Services costs.

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

City of Parramatta Council | Statement of Comprehensive Income | for the year ended 30 June 2022

City of Parramatta Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		124,896	69,451
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPPE	C1-5	164,205	26,228
Re-measurement of remediation liability for asbestos contamination	C3-5	(18)	(13,197)
Total items which will not be reclassified subsequently to the operating result		164,187	13,031
Total other comprehensive income for the year		164,187	13,031
Total comprehensive income for the year attributable to Council		289,083	82,482

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

City of Parramatta Council | Statement of Financial Position | for the year ended 30 June 2022

City of Parramatta Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	63,258	74,401
Investments	C1-2	225,535	211,729
Receivables	C1-4	52,140	121,552
Inventories		106	128
Prepayments		1,718	3,316
Total current assets		342,757	411,126
Non-current assets			
Investments and other financial assets	C1-2	262,195	267,124
Receivables	C1-4	100,103	99,980
Infrastructure, property, plant and equipment (IPPE)	C1-5	3,273,404	2,919,024
Intangible assets	C1-6	2,807	4,349
Right of use assets	C2-1	8,150	7,192
Total non-current assets		3,646,659	3,297,669
Total assets		3,989,416	3,708,795
LIABILITIES			
Current liabilities			
Payables	C3-1	55,914	43,255
Contract liabilities	C3-2	16,423	21,289
Lease liabilities	C2-1	3,918	4,605
Borrowings	C3-3	9,663	9,193
Employee benefit provisions	C3-4	28,967	36,589
Provisions	C3-5	1,894	3,545
Total current liabilities		116,779	118,476
Non-current liabilities			
Payables	C3-1	48	316
Lease liabilities	C2-1	3,776	1,978
Borrowings	C3-3	2,831	12,494
Employee benefit provisions	C3-4	1,013	1,169
Provisions	C3-5	30,449	28,925
Total non-current liabilities		38,117	44,882
Total liabilities		154,896	163,358
Net assets		3,834,520	3,545,437
EQUITY			
Accumulated surplus		3,319,278	3,192,743
IPPE revaluation reserve		515,242	352,694
Total equity		3,834,520	3,545,437

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

City of Parramatta Council | Statement of Changes in Equity | for the year ended 30 June 2022

City of Parramatta Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		3,192,743	352,694	3,545,437	3,109,606	353,349	3,462,955
Net operating result for the year		124,896	–	124,896	69,451	–	69,451
Other comprehensive income							
– Gain on revaluation of IPPE	C1-5	–	164,205	164,205	–	26,228	26,228
– Adjustment to community land revaluation reserve for asbestos contamination	C3-5	–	(18)	(18)	–	(13,197)	(13,197)
Other comprehensive income		–	164,187	164,187	–	13,031	13,031
Total comprehensive income		124,896	164,187	289,083	69,451	13,031	82,482
Transfers between equity items		1,639	(1,639)	–	13,686	(13,686)	–
Closing balance at 30 June		3,319,278	515,242	3,834,520	3,192,743	352,694	3,545,437

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

City of Parramatta Council | Statement of Cash Flows | for the year ended 30 June 2022

City of Parramatta Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
Receipts:				
203,395	Rates and annual charges		201,058	193,673
31,513	User charges and fees		24,694	35,654
6,289	Interest received		4,295	8,710
79,387	Grants and contributions		113,644	81,397
—	Bonds, deposits and retention received		6,500	5,449
15,804	Other		31,751	28,733
Payments:				
(128,985)	Payments to employees		(126,291)	(117,998)
(54,131)	Payments for materials and services		(111,699)	(94,022)
(1,489)	Borrowing costs		(1,022)	(2,096)
—	Bonds, deposits and retention refunded		(2,640)	(5,001)
(49,675)	Other		(11,544)	(19,356)
102,108	Net cash provided from/(used in) operating activities	G1-1	128,746	115,143
Cash flows from investing activities				
Receipts:				
123,261	Sale of investments		1,044,733	857,124
99,799	Proceeds from sale of IPPE		122,638	16,592
Payments:				
—	Purchase of investments		(1,057,553)	(826,989)
(311,738)	Payments for IPPE		(235,562)	(130,373)
—	Purchase of intangible assets		(235)	(1,313)
(88,678)	Net cash provided from/(used in) investing activities		(125,979)	(84,959)
Cash flows from financing activities				
Payments:				
(9,193)	Repayment of borrowings		(9,193)	(8,981)
(4,237)	Principal component of lease payments		(4,717)	(3,847)
(13,430)	Net cash flow provided from/(used in) financing activities		(13,910)	(12,828)
—	Net change in cash and cash equivalents		(11,143)	17,356
57,045	Cash and cash equivalents at beginning of year		74,401	57,045
57,045	Cash and cash equivalents at end of year	C1-1	63,258	74,401

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

City of Parramatta Council

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City of Parramatta Council

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A About Council and these financial statements

A1-1 Basis of preparation

These Financial Statements were authorised for issue by Council on 31 October 2022. Council has the power to amend and reissue these Financial Statements in cases where critical information is received from public submissions or where the Office of Local Government directs Council to amend the Financial Statements.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2021 (Regulation)*, 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 (except where amounts are shown in text).

Historical cost convention

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

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

- i. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-5;
- ii. estimated land remediation provisions – refer Note C3-5; and
- iii. employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer to 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.

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.

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A1-1 Basis of preparation (continued)

Volunteer services

Council has more than 290 volunteers who work across several Council departments including bush care, park committees, community care, cultural heritage and tourism, and library services. Their services are vital to the success of Parramatta, with many Council programs and initiatives relying heavily on assistance from local volunteers. Numbers of volunteers are reduced from last year primarily due to lockdown from June 2021 and to restrict the number of volunteers to ensure social distancing. The total volunteer services provided for the year ended 30 June 2022, which can be reliably measured, is \$136,305. Council has elected to not recognise volunteer services in the income statement as the total amount of services donated, while can be reliably measured, is not material.

New accounting standards and interpretations issued but not yet effective

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

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

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

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 mandatory for the 30 June 2022 reporting period.

None of the newly adopted standards had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

City of Parramatta Council | Notes to the Financial Statements 30 June 2022

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		Net Operating result from continuing operations		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities ¹										
CFIO ²	181,765	172,056	38,153	33,596	143,612	138,460	13,762	10,402	729,012	804,758
People Culture and Workplace ³	390	478	8,576	7,452	(8,186)	(6,974)	–	–	–	–
City Engagement and Experience	1,570	319	20,364	18,748	(18,794)	(18,429)	1,340	100	3,840	3,809
Executive Office	–	3,858	2,859	10,076	(2,859)	(6,218)	–	3,838	2,442	6,788
City Strategy ⁴	2,528	2,686	9,194	6,265	(6,666)	(3,579)	2,423	–	–	–
Property & Place	87,782	65,381	22,037	18,633	65,745	46,748	36,608	17,161	441,416	407,715
City Assets and Operations	78,475	65,814	124,896	128,966	(46,421)	(63,152)	20,600	21,960	2,329,678	2,001,071
Community Services	12,203	11,360	35,852	30,876	(23,649)	(19,516)	3,184	2,561	477,301	476,419
City Planning and Design	41,032	20,379	18,918	18,268	22,114	2,111	35,018	11,577	5,727	8,235
Total functions and activities	405,745	342,331	280,849	272,880	124,896	69,451	112,935	67,599	3,989,416	3,708,795

(1) Functions or activities were updated following a restructure.

(2) CFIO stands for Chief Finance and Information Office including Organisation Related.

(3) Carrying amount of assets is included under CFIO.

(4) Carrying amount of assets is included under Executive Office.

B1-2 Components of functions or activities

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

Chief Finance and Information Office

- Finance and Information Administration
- Business Improvement
- ICT-Information Communication and Technology
- Governance
- Legal Services
- Acquired Councils-Corp Services
- Financial Accounting and Treasury
- Financial Planning and Analysis
- Rates
- Procurement and Payables
- Asset Strategy
- Financial Systems and Improvement

People Culture and Workplace

- People and Culture
- People and Culture Business Partners
- Payroll
- WHS and Wellbeing
- Workplace Relations
- Organisational Capability
- Advise and Services
- Risk and Audit

City Engagement and Experience

- Customer Service Centre
- Events and Festivals
- City Experience and Engagement Admin
- Marketing and Brand
- Digital and Creative
- Acquired Councils
- Corporate Affairs
- Research and Engagement

Executive Office

- Executive Support Office
- General Management Support
- Acquired Councils-Chief Executive Office

City Strategy

- City Strategy

Property & Place

- Civic Place Precinct Redevelopment
- Property and Place Administration
- Property Development Group Projects
- Property Development Group Financial Por
- Property Assets Security & Services
- Acquired Councils-PDG
- Place

City Assets and Operations

- Property Assets and Services
- City Services Administration
- City Operations
- City Assets & Environment
- Acquired Councils-City Services
- Regulatory Services Unit

Community Services

- Riverside Theatre Operations
- Social and Community Services
- Libraries
- Community Infrastructure
- Community Services Admin

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B1-2 Components of functions or activities (continued)

- Community Hubs
- Community Services and Major Infrastructure
- PAS & Cultural Services

City Planning and Design

- Development & Traffic Services
- City Design
- Strategic Land Use Planning
- City Planning and Design
- Major Projects and Precincts
- Infrastructure Planning and Design
- Acquired Councils-Outcome & Development

City of Parramatta Council | Notes to the Financial Statements 30 June 2022

B2 Sources of income**B2-1 Rates and annual charges**

\$ '000	2022	2021
Ordinary rates		
Residential	98,189	90,455
Business	62,178	57,583
Less: pensioner rebates (mandatory)	(1,438)	(1,367)
Less: pensioner rebates (Council policy)	(475)	(459)
Rates levied to ratepayers	158,454	146,212
Pensioner rate subsidies received	784	763
Total ordinary rates	159,238	146,975
Special rates ¹		
Open space	–	2,435
CBD infrastructure	–	2,326
Suburban infrastructure	–	1,830
Economic development	–	821
Other	–	729
Rates levied to ratepayers	–	8,141
Total special rates	–	8,141
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501, & s.611)		
Domestic waste management services	42,178	39,965
Stormwater management services	2,094	1,868
Other	1,386	1,356
Less: pensioner rebates (mandatory)	(516)	(531)
Less: pensioner rebates (Council policy)	(177)	(181)
Annual charges levied	44,965	42,477
Pensioner subsidies received:		
– Domestic waste management	261	254
Total annual charges	45,226	42,731
Total rates and annual charges	204,464	197,847

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.

(1) The special rates are discontinued in financial year 2021-22 due to harmonization of the rates and it is no longer included in the Revenue Policy.

City of Parramatta Council | Notes to the Financial Statements 30 June 2022

B2-2 User charges and fees

\$ '000	Timing	2022	2021
User charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	3,282	3,405
Road opening permits	2	377	1,240
Construction zone fees	2	926	1,076
Road occupancy fees	2	607	571
Hoarding fees	2	567	610
Section 10.7 certificates (EP&A Act)	2	736	665
Food premises licences	2	481	545
Section 603 certificates	2	542	495
Development advertising fees	2	170	199
Annual fire safety statement fees	2	347	335
Subdivision release fees	2	174	227
Tower crane application fees	2	94	112
Section 611 charges	2	159	160
Tree preservation fees	2	153	148
Vehicle crossing inspection fees	2	87	104
Other	2	965	797
Total fees and charges – statutory/regulatory		9,667	10,689
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Multi-level parking stations	2	5,210	7,788
Child care	1	4,750	5,374
Parking meters	2	2,181	3,311
Parramatta Riverside Theatre operations	2	1,786	1,297
Swimming centres	1	579	682
Other	2	36	334
Total fees and charges – other		14,542	18,786
Total user charges and fees		24,209	29,475
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		5,329	6,086
User charges and fees recognised at a point in time (2)		18,880	23,389
Total user charges and fees		24,209	29,475

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 joining fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

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

City of Parramatta Council | Notes to the Financial Statements 30 June 2022

B2-3 Other revenues

\$ '000	Timing	2022	2021
Fines – parking	2	4,548	5,113
Rebates	2	536	620
Fines – other	2	438	477
Sales – general	2	230	279
Insurance claims recoveries	2	296	226
Legal costs recovered	2	168	150
Riverside Theatre bar and catering sales	2	245	126
Events Income	2	159	–
Tenancy Restoration	2	270	–
Other	2	687	373
Total other revenue		7,577	7,364

Timing of revenue recognition for other revenue

Other revenue recognised at a point in time (2)	7,577	7,364
Total other revenue	7,577	7,364

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	3,809	3,280	–	–
Financial assistance – local roads component	2	1,062	1,227	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	5,848	3,741	–	–
Financial assistance – local roads component	2	1,638	1,084	–	–
Amount recognised as income during current year		12,357	9,332	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Community services	2	72	66	–	–
Department of Planning and Environment	2	2,025	228	6,927	3,190
Escarpment Board	2	–	–	947	9,279
Home support	2	843	865	–	–
Library	2	747	714	–	–
Local Roads and Community Infrastructure Program	2	2,382	–	2,035	1,189
Ministry of the arts	2	813	269	–	–
Operating Grants - NSW Government	2	1,329	4,453	–	–
Other specific grants	2	52	101	2,335	347
Parramatta Aquatic Centre	2	–	–	17,441	3,163
Parramatta Road Urban Amenity Improvement Program	2	–	–	14,378	12,040
Sportsground Improvements	2	–	–	1,983	360

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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Street lighting	1	923	923	–	–
Transport (other roads and bridges funding)	2	1,385	889	3,725	4,084
Transport (roads to recovery)	2	1,765	1,382	–	–
Waste services performance improvement payment	2	243	242	–	–
Road restoration contributions	2	3,433	782	–	–
Other sponsorship received	2	117	87	–	–
Paid parental leave	2	332	151	–	–
Salary sacrifice motor vehicle contributions	2	57	97	–	–
Long service leave contributions	2	241	99	–	–
Local Infrastructure Renewal Scheme subsidy	2	260	346	–	–
National disability contribution	2	175	193	–	–
Other contributions	2	427	343	–	416
Total special purpose grants and non-developer contributions – cash		17,621	12,230	49,771	34,068
Total special purpose grants and non-developer contributions (tied)		17,621	12,230	49,771	34,068
Total grants and non-developer contributions		29,978	21,562	49,771	34,068
Total Grants revenue is attributable to:					
– Commonwealth funding		1,380	5,059	–	2,774
– State funding		24,921	15,475	49,501	31,112
– Other funding		3,677	1,028	270	182
		29,978	21,562	49,771	34,068

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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	21,260	9,588
Developer Contributions (VPA)		2	–	–	9,869	289
Total developer contributions – cash			–	–	31,129	9,877
Non-cash contributions						
S 7.4 and 7.11 – contributions towards amenities/services		2	–	–	2,057	2,092
Total developer contributions non-cash			–	–	2,057	2,092
Total developer contributions			–	–	33,186	11,969
Total contributions			–	–	33,186	11,969
Total grants and contributions			29,978	21,562	82,957	46,037
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			923	923	–	–
Grants and contributions recognised at a point in time (2)			29,055	20,639	82,957	46,037
Total grants and contributions			29,978	21,562	82,957	46,037

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B2-4 Grants and contributions (continued)

Unspent grants and contributions – external restrictions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants				
Unspent funds at 1 July	3,256	1,083	30,566	27,842
Add: Funds recognised as income in the current period but not yet spent	1,308	2,173	8,364	2,724
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(2,238)	–	(8,637)	–
Unspent grants at 30 June	2,326	3,256	30,293	30,566
Unspent contributions				
Unspent funds at 1 July	–	–	130,656	136,726
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	31,761	12,280
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(23,644)	(18,350)
Unspent contributions at 30 June	–	–	138,773	130,656

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 grants provided for the events, home support services and others. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods/services at a single time (e.g. completion of the project when a report/outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Capital grants

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

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

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

Developer contributions

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

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B2-4 Grants and contributions (continued)

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

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

Other grants and contributions

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

City of Parramatta Council | Notes to the Financial Statements 30 June 2022

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Cash and investments	5,526	6,566
– Interest on Receivables from sale of Horwood place site	3,330	–
– Overdue rates and annual charges (incl. special purpose rates)	1	34
Total interest and investment income (losses)	8,857	6,600

Accounting policy

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

For Fair value items refer to the Accounting policy C1-2 Financial investments.

Council waived the interest payments on outstanding rates as part of a COVID relief package.

B2-6 Other income

\$ '000	Notes	2022	2021 ¹
Fair value increment on investments			
Fair value increment on investments through profit and loss		–	5,684
Interest in Civic Risk Mutual		500	475
Total Fair value increment on investments		500	6,159
Rental income			
Other lease income			
Lease income (excluding variable lease payments not dependent on an index or rate)		1,235	1,166
Leaseback fees - council vehicles		979	1,016
Room/Facility Hire		824	387
Property lease income		4,772	1,781
Total other lease income		7,810	4,350
Total rental income	C2-2	7,810	4,350
Other			
Value of assets received from Parramatta Light Rail project		16,165	–
Community Land post amalgamation and others		–	1,467
Value of assets newly discovered at stocktake		–	1,562
Gain on Lease modification		229	603
Other assets income		–	90
Total other		16,394	3,722
Total other income		24,704	14,231

(1) Items have been reclassified in accordance with Local Government Code of Accounting Practice and Financial Reporting – 2021-22.

City of Parramatta Council | Notes to the Financial Statements 30 June 2022

B3 Costs of providing services**B3-1 Employee benefits and on-costs**

\$ '000	2022	2021
Salaries and wages	97,074	95,472
Employee leave entitlements (ELE)	9,942	11,215
Superannuation	10,831	10,220
Agency personnel	4,363	3,700
Employee termination costs	1,142	4,998
Other	3,420	3,168
Total employee costs	126,772	128,773
Less: capitalised costs	(4,058)	(4,936)
Less: restructuring provision ¹	(1,987)	–
Total employee costs expensed	120,727	123,837

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 future payments is available.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note C3-4 for more information.

(1) Release of restructuring provision due to re-deployment of employees

B3-2 Materials and services ¹

\$ '000	Notes	2022	2021
Raw materials and consumables		5,050	5,158
Tipping fees		19,333	18,244
Contractors		15,562	10,996
Consultancies		5,578	6,045
ICT costs		6,477	5,570
Multi-level car parks, signs and levy		2,868	3,872
Cleaning, waste removal and recycling		2,374	2,449
Security services		1,357	1,555
Plant and Equipment hire and repair costs		2,947	2,586
Restoration costs		141	236
Auditors Remuneration - Audit Office NSW	E2-1	229	213
Street lighting		2,903	2,727
Councillor and Mayoral fees and associated expenses	E1-2	801	862
Advertising, promotion, publicity		3,170	1,864
Insurance		2,776	2,440
Telephone and communications		718	884
Other expenses		5,984	4,703
Artists in mall and other artists		2,739	1,923
Utilities		1,302	1,313
Memberships and subscriptions		661	557

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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

B3-2 Materials and services ¹ (continued)

\$ '000	2022	2021
Legal expenses: other	1,545	1,196
Legal expenses: planning and development	531	428
Expenses from short-term leases	83	161
Expenses from leases of low value assets	113	416
Variable lease expense relating to usage	15,312	14,725
Total materials and services	100,554	91,123

Accounting policy

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

(¹) Council has reclassified the Material and Services items within the Note to improve the presentation. There is no impact on the prior year's total Material and Services costs.

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
Interest on loans		885	1,349
Interest on leases	C2-1	97	711
Total interest bearing liability costs		982	2,060
Total borrowing costs expensed		982	2,060

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.

No borrowing costs were capitalised in the year ended 30 June 2022.

City of Parramatta Council | Notes to the Financial Statements 30 June 2022

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		2,980	3,052
Office equipment		2,017	1,480
Furniture and fittings		1,934	1,899
Land improvements (depreciable)		928	768
Infrastructure:	C1-5		
– Buildings – non-specialised		3,742	3,079
– Buildings – specialised		518	504
– Other structures		844	886
– Roads		16,793	16,631
– Bridges		1,386	1,167
– Footpaths		3,070	2,981
– Stormwater drainage		5,971	5,938
– Swimming pools		14	14
– Other open space/recreational assets		3,238	3,379
Right of use assets	C2-1	5,090	4,877
Other assets:			
– Library books		965	1,009
– Other		254	285
Intangible assets	C1-6	971	1,120
Total gross depreciation and amortisation costs		50,715	49,069
Total depreciation and amortisation costs		50,715	49,069
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-5		
– Other structures		–	465
Total gross IPPE impairment / revaluation decrement costs		–	465
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	465
Total depreciation, amortisation and impairment for non-financial assets		50,715	49,534

Accounting policy**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-5 for IPPE assets and Note C1-6 for intangible assets and C2-1 for right of use assets.

Impairment of non-financial assets

Council's 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).

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

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

B3-5 Other expenses

\$ '000	2022	2021
Civic Risk Mutual - Equity to Fair Value accounting decrement	–	970
Fair value decrement on investments through profit and loss	3,297	–
Contributions/levies to other levels of government		
– NSW fire brigade levy	3,111	3,466
– Department of planning levy	381	344
Donations, contributions and assistance to other organisations (Section 356)	1,082	1,546
Total other expenses	7,871	6,326

Accounting policy

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

Impairment expenses are recognised when identified.

City of Parramatta Council | Notes to the Financial Statements 30 June 2022

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)	C1-5		
Proceeds from disposal – property		84,533	87,085
Less: carrying amount of property assets sold/written off		(50,387)	(55,688)
Gain (or loss) on disposal		34,146	31,397
Gain (or loss) on disposal of plant and equipment	C1-5		
Proceeds from disposal – plant and equipment		321	242
Less: carrying amount of plant and equipment assets sold/written off		(50)	(46)
Gain (or loss) on disposal		271	196
Gain (or loss) on disposal of infrastructure	C1-5		
Less: carrying amount of infrastructure assets sold/written off		(11,418)	(12,378)
Gain (or loss) on disposal		(11,418)	(12,378)
Gain (or loss) on disposal of investments			
Proceeds from disposal/redemptions/maturities – investments		1,044,733	857,089
Less: carrying amount of investments sold/redeemed/matured		(1,044,733)	(857,089)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		22,999	19,215

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

B5 Performance against budget

B5-1 Material budget variations

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

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
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Revenues

Rates and annual charges	203,395	204,464	1,069	1%	F
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User charges and fees	31,513	24,209	(7,304)	(23)%	U
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The key areas for unfavourable variance are mainly driven by the lingering effects of COVID-19 as we continue to experience subdued footfalls and spending patterns across the CBD & LGA.

- \$1.5m: Decline in multi-level car parks revenue;
- \$1.3m: Subdued parking meters income;
- \$1.1m: Drop in Riverside booking and hire;
- \$1.0m: Lower Childcare fees;
- \$0.7m: Subdued Community Hall Hire rentals;
- \$0.4m: Lower inspection fees; and
- \$0.3m: Decline in Road opening permits \$0.2m and rezoning fees \$0.1m.

Other revenues	13,210	7,577	(5,633)	(43)%	U
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- \$6.3m: Lower than the budget. Revenue for parking infringement was budgeted with the assumption of reaching back to the pre-Covid level;

Partially net off by:

- \$0.3m: Cash received for 7-9 Wentworth street tenants' restoration; and
- \$0.2m: Events income.

Operating grants and contributions	18,001	29,978	11,977	67%	F
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- \$4.7m: Grants received from the Department of Planning and Environment, not included in the original budget due to uncertainty of getting approved for the grant;
- \$3.4m: The Roads restoration contributions;
- \$2.2m: Financial Assistance Grant received for the financial year 2022-23;
- \$1.4m: Grants from the Transport NSW for the roads and other transport assets works; and
- \$0.5m: State government grants for the support of art and culture projects.

Capital grants and contributions	61,386	82,957	21,571	35%	F
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- \$7.8m: VPA (Voluntary Planning Agreement) contributions received in cash for Parramatta River Foreshore Revitalisation;
- \$6.2m: PRUAIP (Parramatta Road Urban Amenity Improvement Program) grant for Bridge Street, Granville, received in the last financial year and recognised as an income this financial year;
- \$5.2m: PRUAIP grants for Good and Bridge street works, received in the last financial year and recognised as an income this financial year; and
- \$2.0m: Non-cash contribution from Lennox Bridge VPA.

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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
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Interest and investment revenue 6,289 8,857 2,568 41% **F**
Interest and investment revenue is favourable to budget primarily due to the interest received from the sale of Horwood place site.

Net gains/(losses) from disposal of assets (2,500) 22,999 25,499 (1,020)% **F**
The gains are from:

- \$36.3m: Gain from the recognition of additional income from the sale of Horwood Place land; and
- \$7.8m: Gain on sale of 70 Macquarie Street, Parramatta, the land was compulsory acquired by State Government.

The above gains are reduced by:

- \$10.5m: Loss on land parcels received from the Walker Corporation after subdivision of Parramatta Square land parcels;
- \$6.2m: Loss from the disposal of renewed infrastructure assets; and
- \$4.4m: Disposal of the infrastructure assets impacted by PLR constructions.

Other income 3,394 24,704 21,310 628% **F**
Other income variance is favourable to the budget primarily due to:

- \$16.2m: Income received from the asset transferred from Sydney Metro under Parramatta Light Rail Agreement Stage 1. The transferred assets included roads, footpaths, stormwater drainage, and street furniture;
- \$3.5m: Increase of lease income from the leasing of the property purchased in September 2021 (i.e., 9 Wentworth Street, Parramatta); and
- \$0.2m: Income as a result of the Lease modification due to extension of leases.

Expenses

Employee benefits and on-costs 131,840 120,727 11,113 8% **F**

Materials and services 102,114 100,554 1,560 2% **F**

Borrowing costs 1,489 982 507 34% **F**
Borrowing costs are below budget by \$0.5m due to lower interest on leases as a result of the reassessment of AASB 16 (refer note C2-1 Council as a lessee).

Depreciation, amortisation and impairment of non-financial assets 51,995 50,715 1,280 2% **F**

Other expenses 1,692 7,871 (6,179) (365)% **U**
Expenditure on other expenses is above budget primarily due to levies paid to NSW fire brigade (\$3.1m) and the decrement of fair value on investments (\$3.3m).

Statement of cash flows

Cash flows from operating activities 102,108 128,746 26,638 26% **F**
Cash flows from operating activities are favourable to budget primarily due to higher grants received from the State Government and other grantors.

Cash flows from investing activities (88,678) (125,979) (37,301) 42% **U**
The lower level of cash inflow from the sale of investment and securities is offset by a lower level of investment in infrastructure and higher receipt from the sale of Horwood place and compulsory sale of 70 Macquarie street, Parramatta.

Cash flows from financing activities (13,430) (13,910) (480) 4% **U**

City of Parramatta Council | Notes to the Financial Statements 30 June 2022

C Financial position**C1 Assets we manage****C1-1 Cash and cash equivalents**

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank ¹	11	105
Cash equivalent assets		
– Deposits at call	63,247	74,296
Total cash and cash equivalents	63,258	74,401

(1) Cash at bank balances are automatically transferred to the professional funds cash at call account at the end of each day. This account currently attracts a higher rate of interest. The funds can be accessed and drawn on a daily basis.

Reconciliation of cash and cash equivalents

\$ '000	Notes	2022	2021
Total cash and cash equivalents per Statement of Financial Position	C1-1	63,258	74,401
Balance as per the Statement of Cash Flows		63,258	74,401

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 Investments and other financial assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Financial assets at fair value through the profit and loss				
Managed funds	41,025	–	43,993	–
Negotiable Certificates of Deposit (NCD)				
Floating Rate Notes (FRN) and Bonds	2,010	51,445	17,031	68,124
Total	43,035	51,445	61,024	68,124
Debt securities at amortised cost				
Long term deposits	182,500	204,650	150,705	193,400
Total	182,500	204,650	150,705	193,400
Other financial assets				
Interest in Civic Risk Mutual	–	6,100	–	5,600
Total	–	6,100	–	5,600
Total financial investments	225,535	262,195	211,729	267,124

Accounting policy

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

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C1-2 Investments and other financial assets (continued)

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 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 are measured at FVTPL.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	550,988	553,254
Less: Externally restricted cash, cash equivalents and investments	(258,657)	(261,098)
Cash, cash equivalents and investments not subject to external restrictions ¹	292,331	292,156

(1) Includes Investment to Civic Risk

External restrictions

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

Specific purpose unexpended grants	8,175	13,337
External restrictions – included in liabilities	8,175	13,337

External restrictions

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

Developer contributions – general	138,766	130,642
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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

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

\$ '000	2022	2021
Museum of Applied Arts & Sciences Agreement	34,054	36,854
Specific purpose unexpended grants (recognised as revenue) – general fund	29,829	33,779
Domestic waste management	38,414	33,102
CBD infrastructure special rate	3,028	4,887
Stormwater levy	1,423	1,402
Catchment remediation special rate	1,662	2,173
Economic development special rate	725	1,140
Harris park special rate	777	762
Open space special rate	695	846
Suburban infrastructure special rate	744	1,813
Infrastructure special rate (former Holroyd)	365	361
External restrictions - others	250,482	247,761
Total external restrictions	258,657	261,098

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

\$ '000	2022	2021
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(b) Internal allocations**Cash, cash equivalents and investments not subject to external restrictions**

	292,331	292,156
Less: Internally restricted cash, cash equivalents and investments	(178,738)	(205,098)
Unrestricted and unallocated cash, cash equivalents and investments	113,593	87,058

Internal allocations

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

CBD Infrastructure	945	–
Property and significant assets reserve	170,760	198,158
Employees leave entitlement	6,400	6,401
Urgent ward works	219	498
Parking Meters	414	41
Total internal allocations	178,738	205,098

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

C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	20,387	1,291	17,276	996
User charges and fees	1,125	–	708	–
Capital debtors (being sale of assets)				
- Sale of land (189 Macquarie St)	–	–	–	–
- Sale of land (6 & 8 Parramatta Square)	–	98,399	–	98,399
- Sale of land (Compulsory sale of Horwood place site)	15,672	–	87,085	–
Accrued revenues				
- Interest on investments	1,777	–	1,315	–
- Project costs reimbursement from grants	4,100	–	–	–
Net GST receivable	3,482	–	2,803	–
Licencing receivables	1,316	–	1,197	–

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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

C1-4 Receivables (continued)

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Government grants and subsidies	2,246	–	2,072	–
Environmental upgrade agreements	140	176	140	316
Works in kind receivable from developers	1,667	–	7,667	–
Other debtors	1,130	237	2,202	269
Total	53,042	100,103	122,465	99,980
Less: provision for impairment				
Rates and annual charges	(69)	–	(69)	–
Other debtors	(833)	–	(844)	–
Total provision for impairment – receivables	(902)	–	(913)	–
Total net receivables	52,140	100,103	121,552	99,980

continued on next page ...

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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

C1-4 Receivables (continued)

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted receivables				
Domestic waste management	4,637	—	4,286	—
Stormwater management	292	—	246	—
Other				
Grants	2,790	—	—	—
CBD Infrastructure special rate	355	—	499	—
Open space special rate	72	—	165	—
Suburban Infrastructure Special Rate	46	—	115	—
Economic development special rate	85	—	142	—
Catchment Remediation Special Rate	11	—	22	—
Harris park special rate	7	—	16	—
Infrastructure Special Rate (Former Holroyd)	1	—	4	—
Total external restrictions	8,296	—	5,495	—
Internally restricted receivables				
Sale of land (6 & 8 Parramatta Square)	—	98,399	—	98,399
Sale of land (Compulsory sale of Horwood place site)	15,672	—	87,085	—
Internally restricted receivables	15,672	98,399	87,085	98,399
Unrestricted receivables	28,172	1,704	28,972	1,581
Total net receivables	52,140	100,103	121,552	99,980

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year	913	1,078
+ new provisions recognised during the year	45	25
– amounts provided for but recovered during the year	(56)	(190)
Balance at the end of the year	902	913

Accounting policy

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

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C1-4 Receivables (continued)

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 a 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.

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

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.

City of Parramatta Council | Notes to the Financial Statements 30 June 2022

C1-5 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP capitalised	Transfers between asset classes	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	118,092	–	118,092	17,376	218,186	–	–	(109,589)	–	–	244,065	–	244,065
Plant and equipment	20,803	(12,568)	8,235	–	473	(1)	(2,980)	–	–	–	20,447	(14,720)	5,727
Office equipment	12,038	(5,860)	6,178	–	1,711	–	(2,017)	–	(21)	–	13,750	(7,899)	5,851
Furniture and fittings	22,298	(13,361)	8,937	–	252	–	(1,934)	–	–	–	22,550	(15,295)	7,255
Land:													
– Operational land	366,765	–	366,765	–	73,997	(50,383)	–	–	–	10,476	400,855	–	400,855
– Community land	315,124	–	315,124	–	616	–	–	–	–	12,008	327,748	–	327,748
– Crown land	60,451	–	60,451	–	–	–	–	–	–	–	60,451	–	60,451
– Land under roads (post 30/6/08)	2,151	–	2,151	–	153	–	–	–	–	321	2,625	–	2,625
Land improvements – depreciable	36,125	(9,045)	27,080	–	1,052	(4)	(928)	–	4,154	869	42,453	(10,230)	32,223
Infrastructure:													
– Buildings – non-specialised	217,671	(53,091)	164,580	3,098	41,278	–	(3,742)	–	–	24,066	286,113	(56,833)	229,280
– Buildings – specialised	35,432	(11,222)	24,210	1,271	–	–	(518)	–	–	2,927	39,630	(11,740)	27,890
– Other structures	21,232	(3,759)	17,473	97	5,648	(68)	(844)	–	–	–	26,897	(4,591)	22,306
– Roads	1,230,608	(314,172)	916,436	9,886	3,647	(10,166)	(16,793)	–	–	43,484	1,270,189	(323,695)	946,494
– Bridges	133,423	(19,533)	113,890	230	–	–	(1,386)	–	–	7,537	141,189	(20,918)	120,271
– Footpaths	208,997	(57,030)	151,967	845	9,455	(148)	(3,070)	–	–	18,559	237,685	(60,077)	177,608
– Bulk earthworks (non-depreciable)	103,783	–	103,783	671	–	(585)	–	–	–	3,397	107,266	–	107,266
– Stormwater drainage	653,013	(200,210)	452,803	244	11,119	–	(5,971)	–	–	33,164	697,540	(206,181)	491,359
– Swimming pools	1,512	(539)	973	–	–	–	(14)	–	–	116	1,628	(553)	1,075
– Other open space/recreational assets	76,617	(29,705)	46,912	640	3,630	(451)	(3,238)	–	–	7,281	86,655	(31,881)	54,774
Other assets:													
– Heritage collections	4,463	(782)	3,681	53	–	–	–	–	–	–	4,516	(782)	3,734
– Library books	7,636	(5,121)	2,515	–	555	–	(965)	–	–	–	8,191	(6,086)	2,105
– Other	7,647	(859)	6,788	–	41	–	(254)	–	(4,133)	–	3,270	(828)	2,442
Total infrastructure, property, plant and equipment	3,655,881	(736,857)	2,919,024	34,411	371,813	(61,806)	(44,654)	(109,589)	–	164,205	4,045,713	(772,309)	3,273,404

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

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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

C1-5 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period									At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ⁽¹⁾	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP capitalised	Transfers between asset classes	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000															
Capital work in progress	71,375	–	71,375	29,504	100,763	–	–	–	(83,550)	–	–	–	118,092	–	118,092
Plant and equipment	20,482	(10,179)	10,303	–	1,030	(46)	(3,052)	–	–	–	–	–	20,803	(12,568)	8,235
Office equipment	10,637	(4,380)	6,257	–	1,401	–	(1,480)	–	–	–	–	–	12,038	(5,860)	6,178
Furniture and fittings	22,258	(11,547)	10,711	–	498	(373)	(1,899)	–	–	–	–	–	22,298	(13,361)	8,937
Land:															
– Operational land	405,104	–	405,104	–	2,211	(40,550)	–	–	–	–	–	–	366,765	–	366,765
– Community land	312,160	–	312,160	–	12,660	–	–	–	–	–	(9,696)	–	315,124	–	315,124
– Land under roads (post 30/6/08)	2,151	–	2,151	–	–	–	–	–	–	–	–	–	2,151	–	2,151
– Crown land	60,498	–	60,498	–	–	(47)	–	–	–	–	–	–	60,451	–	60,451
Land improvements – depreciable	33,610	(8,368)	25,242	42	2,720	(156)	(768)	–	–	–	–	–	36,125	(9,045)	27,080
Infrastructure:															
– Buildings – non-specialised	234,196	(54,767)	179,429	1,327	257	(13,354)	(3,079)	–	–	–	–	–	217,671	(53,091)	164,580
– Buildings – specialised	34,379	(12,000)	22,379	445	3,094	(1,204)	(504)	–	–	–	–	–	35,432	(11,222)	24,210
– Other structures	24,435	(8,434)	16,001	194	8,019	(4,190)	(886)	(465)	–	(1,200)	–	–	21,232	(3,759)	17,473
– Roads	1,221,240	(300,804)	920,436	17,055	–	(4,501)	(16,631)	–	–	77	–	–	1,230,608	(314,172)	916,436
– Bridges	100,938	(32,162)	68,776	125	11,135	(903)	(1,167)	–	–	–	–	35,924	133,423	(19,533)	113,890
– Footpaths	200,780	(54,507)	146,273	2,712	6,500	(537)	(2,981)	–	–	–	–	–	208,997	(57,030)	151,967
– Bulk earthworks (non-depreciable)	103,853	–	103,853	–	–	(70)	–	–	–	–	–	–	103,783	–	103,783
– Stormwater drainage	647,812	(194,328)	453,484	2,314	3,035	(92)	(5,938)	–	–	–	–	–	653,013	(200,210)	452,803
– Swimming pools	1,512	(525)	987	–	–	–	(14)	–	–	–	–	–	1,512	(539)	973
– Other open space/recreational assets	71,791	(28,527)	43,264	4,424	4,387	(1,888)	(3,379)	–	–	104	–	–	76,617	(29,705)	46,912
Other assets:															
– Heritage collections	2,456	–	2,456	90	116	–	–	–	–	1,019	–	–	4,463	(782)	3,681
– Library books	7,336	(4,111)	3,225	–	299	–	(1,009)	–	–	–	–	–	7,636	(5,121)	2,515
– Other	6,946	(574)	6,372	–	701	–	(285)	–	–	–	–	–	7,647	(859)	6,788
Total infrastructure, property, plant and equipment	3,595,949	(725,213)	2,870,736	58,232	158,826	(67,911)	(43,072)	(465)	(83,550)	–	(9,696)	35,924	3,655,881	(736,857)	2,919,024

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

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C1-5 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 is acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at the acquisition date.

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and the depreciated historical cost is unlikely to be material.

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, bulk earthworks and heritage assets are not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Buildings (by component type):	Years		Years
Superstructure (Short Life)	26 to 100	Kerb & Gutter	100 to 120
Superstructure (Long Life)	50 to 300	Street Furniture	10 to 100
Sub-structure (Short Life)	35 to 105	Traffic Facilities	41 to 94
Sub-structure (Long Life)	75 to 300	Pathways	15 to 80
Roof (Short Life)	18 to 100	Parking Areas	17 to 200
Roof (Long Life)	35 to 300		
Fitout (Short Life)	16 to 57	Other Infrastructure:	
Fitout (Long Life)	34 to 300	Stormwater Drainage	
Floor Coverings (Short Life)	5 to 139	Conduits - Pipes, Culverts & Natural Channels	80 to 300
Floor Coverings (Long Life)	3 to 146	Structures - Pits, Headwalls & Converters	100
Electrical Services (Short Life)	24 to 78	Other Drainage Assets	20 to 200
Electrical Services (Long Life)	10 to 195		
Mechanical Services (Short Life)	10 to 52	Bridges (by component type):	
Mechanical Services (Long Life)	1 to 146	Abutments	110 to 117
Hydraulic Services (Short Life)	23 to 85	Deck	40 to 117
Hydraulic Services (Long Life)	4 to 195	Guardrails	40 to 80
Fire Services (Short Life)	10 to 22	Sub-structure	40 to 117
Fire Services (Long Life)	4 to 134	Superstructure	40 to 117
Security Services (Short Life)	10 to 25	Surface	30
Security Services (Long Life)	1 to 140		
Lift/Transport (Short Life)	75 to 100	Open Space	5 to 100
Lift/Transport (Long Life)	150	Swimming Pools	20 to 50
Site Infrastructure (Short Life)	56 to 174	Bus Shelters	30
Site Infrastructure (Long Life)	56 to 174	Land Improvements and Other Structures	5 to 100
Site Services (Short Life)	56 to 174		
Site Services (Long Life)	56 to 174	Plant and equipment:	
		Office equipment	5 to 10
Infrastructure		Office furniture	10
Roads (by component type):		Computer equipment	5
Surface (Short Life)	11 to 37	Vehicles	5 to 10
Surface (Long Life)	40 to 60	Other plant and equipment	5 to 10
Pavement Base (Short Life)	80 to 113		
Pavement Base (Long Life)	N/A	Other Assets:	
Pavement Sub Base (Short Life)	200	Library books	5
Pavement Sub Base (Long Life)	200	Trees	50 to 100
Formation (Bulk Earthworks)	Infinite	Other Assets	5 to 10

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C1-5 Infrastructure, property, plant and equipment (continued)

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

Revaluation model

Infrastructure, property, plant and equipment (IPPE) are held at fair value. Comprehensive 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 the current fair value according to AASB 13 Fair Value Measurement.

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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.

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 *Land Under Roads*.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 *Property, Plant and Equipment*.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

C1-6 Intangible assets

Intangible assets are as follows:

\$ '000	2022	2021
IT Development and Software		
Opening values at 1 July		
Gross book value	14,814	13,501
Accumulated amortisation	(10,465)	(9,345)
Net book value – opening balance	4,349	4,156
Movements for the year		
Purchases	235	555
Amortisation charges	(971)	(1,120)
Development costs	–	758
Other movements (disposal of cloud-based software balances)	(806)	–
Closing values at 30 June		
Gross book value	14,167	14,814
Accumulated amortisation	(11,360)	(10,465)
Total intangible assets - net book value	2,807	4,349

Accounting policy

IT development and software

Software development costs include only those costs directly attributable to the development phase (including external direct costs of materials and services, direct payroll, and payroll-related costs of employees' time spent on the project) and are only recognised following completion of technical feasibility, and where the Council has an intention and ability to use the asset. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years. Software-as-a-Service (SaaS) arrangements are service contracts providing the council with right to access the cloud

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C1-6 Intangible assets (continued)

provider's application software over the contract period. Costs incurred to obtain access to the cloud provider's application software are recognised in the income statement.

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including buildings, and Office and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Buildings

Council leases buildings for their corporate offices and other buildings; the leases are generally between 2 and 7 years and some of them include a renewal option to allow Council to renew for up to twice the non-cancellable lease term at their discretion.

The building leases contain an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Garbage trucks

Council leases garbage trucks with lease term 7 years; the lease payments are variable depending on the number of collections performed during the lease term and there is generally no renewal option.

Office and IT equipment

Leases for office and IT equipment are generally for low-value assets. The leases are for between 2 and 6 years with no renewal option, the payments are fixed, however, some of the leases include variable payments based on usage.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; 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.

(a) Right of use assets

\$ '000	Buildings	Office and IT Equipment	Total
2022			
Opening balance at 1 July	7,169	23	7,192
Additions/modification to right-of-use assets	6,048	–	6,048
Depreciation charge	(5,067)	(23)	(5,090)
Balance at 30 June	8,150	–	8,150
2021			
Opening balance at 1 July	29,124	46	29,170
Additions/modification to right-of-use assets	(17,101)	–	(17,101)
Depreciation charge	(4,854)	(23)	(4,877)
Balance at 30 June	7,169	23	7,192

(b) Lease liabilities

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities	3,918	3,776	4,605	1,978
Total lease liabilities	3,918	3,776	4,605	1,978

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C2-1 Council as a lessee (continued)

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2022					
Cash flows	3,918	3,776	–	7,694	7,694
2021					
Cash flows	4,716	1,978	–	6,694	6,583

(d) Income Statement

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

\$ '000	2022	2021
Interest on lease liabilities	97	711
Variable lease payments based on usage not included in the measurement of lease liabilities	15,312	14,725
Depreciation of right of use assets	5,090	4,877
Expenses relating to short-term leases	83	161
Expenses relating to low-value leases	113	416
	20,695	20,890

(e) Statement of Cash Flows

Total cash outflow for leases	20,233	19,673
	20,233	19,673

(f) Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for storage for the excess art from the art gallery, visitors centers, and other community services provided by Council.

The leases are generally between 1 and 5 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Accounting policy

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

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

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

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-

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C2-1 Council as a lessee (continued)

of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties and /or plant and equipment 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:

– property, plant and equipment: where the rental is incidental or the asset is held to meet Councils service delivery objective (refer note C1-5).

\$ '000	2022	2021
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Operating lease expenses

Assets held as property, plant and equipment

Direct operating expenses that generated rental income	1,450	848
Lease income (excluding variable lease payments not dependent on an index or rate)	1,029	318
Lease income relating to variable lease payments not dependent on an index or a rate	5,331	3,184
Total income relating to operating leases for Council assets	7,810	4,350

Other leased assets expenses

Other	137	915
Total expenses relating to other leases assets	137	915

(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	4,252	523
1–2 years	1,992	288
2–3 years	1,354	258
3–4 years	698	258
4–5 years	506	258

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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

C2-2 Council as a lessor (continued)

\$ '000	2022	2021
> 5 years	16,698	17,562
Total undiscounted lease payments to be received	25,500	19,147

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.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Goods and services	13,646	–	14,202	–
Security bonds, deposits and retentions	16,118	48	12,306	–
Accrued expenses:				
– Materials and contracts	21,849	–	14,796	–
– Salaries and wages	3,898	–	1,684	–
– Accrued Interest	87	–	127	–
Environment upgrade agreement	316	–	140	316
Government departments and agencies	–	–	–	–
Total payables	55,914	48	43,255	316

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

\$ '000	2022	2021
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	13,413	9,754
Total payables	13,413	9,754

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

C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	9,376	–	14,856	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	630	–	–	–
Total grants received in advance		10,006	–	14,856	–
User fees and charges received in advance:					
Funds received prior to the performance obligations being satisfied (upfront payments) - AASB 15	(iii)	6,153	–	5,765	–
Upfront fees – swimming pools, childcare, venue hire		264	–	668	–
Total user fees and charges received in advance		6,417	–	6,433	–

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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

C3-2 Contract Liabilities (continued)

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Total contract liabilities	16,423	–	21,289	–

Notes

(i) Council has received funding to construct assets including playgrounds, parks, streetlighting, and footpaths. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) Council has received funding to support the arts and entertainment sector and the CBD revitalisation program. The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

(iii) Upfront payments of user charges include tickets and bonds paid to Riverside Theatre operations, swimming pool fees, sports field hire fees, planning and building regulation fees, construction zone fees, road opening fees, and other application fees. The contract liability relates to the funds received prior to the performance obligations being satisfied. Council will recognise revenue when the performance obligation has been satisfied, as per the recognition criteria in AASB 15.

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

\$ '000	2022	2021
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	10,936	800
User fees and charges received in advance:		
Funds received prior to the performance obligations being satisfied (upfront payments)		
- AASB 15	2,208	1,909
Upfront fees – swimming pools	–	40
Total revenue recognised that was included in the contract liability balance at the beginning of the period	13,144	2,749

Significant changes in contract liabilities

Contract liability is largely attributable to the upfront payment of grants relating to the Parramatta Road Urban Amenities Improvement Project (PRUAIP), which involves the construction of streetscape and open space assets at Good and Bridge Street, Granville and the upgrade of FS Garside Park.

Accounting policy

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

C3-3 Borrowings

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured ¹	9,663	2,831	9,193	12,494
Total borrowings	9,663	2,831	9,193	12,494

(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 E1-1.

(a) Changes in liabilities arising from financing activities

	2021	Non-cash movements	2022
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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

C3-3 Borrowings (continued)

\$ '000	Opening Balance	Cash flows	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	21,687	(9,193)	–	–	12,494
Lease liability (Note C2-1b)	6,583	1,111	–	–	7,694
Total liabilities from financing activities	28,270	(8,082)	–	–	20,188

	2020		Non-cash movements		2021
	Opening Balance	Cash flows	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000					
Loans – secured	30,668	(8,981)	–	–	21,687
Lease liability (Note C2-1b)	28,116	(3,847)	–	(17,686)	6,583
Total liabilities from financing activities	58,784	(12,828)	–	(17,686)	28,270

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C3-3 Borrowings (continued)

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	1,000	1,000
Credit cards/purchase cards	268	280
Total financing arrangements	1,268	1,280
Undrawn facilities		
– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	193	218
Total undrawn financing arrangements	1,193	1,218

Breaches and defaults

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

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Accounting policy

Council measures borrowings initially at fair value less transaction costs, subsequently borrowings 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 finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

City of Parramatta Council | Notes to the Financial Statements 30 June 2022

C3-4 Employee benefit provisions

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	11,478	–	12,445	–
Sick leave	632	–	748	–
Long service leave	15,874	1,013	18,258	1,169
Other employee provisions	983	–	5,138	–
Total employee benefit provisions	28,967	1,013	36,589	1,169

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	18,071	18,904
	18,071	18,904

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C3-4 Employee benefit provisions (continued)

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.

Defined Benefit Plan: Multi-Employer Pooled Fund

Council participates in an employer sponsored Defined Benefit Superannuation Scheme (the Fund) that is a multi-employer plan.

(a) a description of the funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements.

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40 million per annum for 1 July 2019 to 31 December 2021 and \$20 million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

(b) a description of the extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.

As stated 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.

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

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C3-4 Employee benefit provisions (continued)

of outstanding past service contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

(c) a description of any agreed allocation of a deficit of surplus on:

(i) wind-up of the plan

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

(ii) the entity's withdrawal from the plan

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

(d) given the entity accounts for that plan as if were a defined contribution plan in accordance with paragraph 34, the following information:

(i) the fact that the plan is a defined benefit plan.

Council confirms that the plan is a defined benefit plan.

(ii) the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

(1) Assets are not segregated within the sub-group according to the employees of each sponsoring employer;

(2) The contribution rates have been the same for all sponsoring employers and have not varied for each employer according to the experience relating to the employees of that employer;

(3) Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and

(4) The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors set out 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 the members). As such there is insufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, subgroup assets and costs associated with the sub-group in the same way as it would be for a single employer sponsored defined benefit plan. Paragraph 34 of AASB 119 therefore applies, within the disclosures herein reflecting the requirements of paragraph 148.

(iii) the expected contribution to the plan for the next annual reporting period.

The expected contributions by Council to the Fund for the next annual reporting period are \$489,751.92.

(iv) information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.

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

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

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

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

Investment return	5.5% per annum
Salary inflation	3.5% per annum
Increase in CPI	2.5% per annum

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed by December 2022.

The requirement for contributions in order to maintain the adequacy of the funding position for the accrued liabilities (were \$40M per annum until 31 December 2021, followed by \$20M per annum thereafter) is assessed annually by the Actuary.

The past service contributions of \$40M per annum until 31 December 2021 followed by \$20M per annum thereafter remain in place and will continue to be reviewed on an annual basis or as required. Council advises that it is estimated that there are \$204,484 past service contributions remaining.

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C3-4 Employee benefit provisions (continued)

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2022 was \$587,965. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA as at 30 June 2021.

(v) an indication of the level of participation of the entity in the plan compared with other participating entities.

Based on a Past Service Liabilities methodology, the share of the surplus attributed to Council is 1.02%.

C3-5 Provisions

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Other provisions				
Asbestos removal - Land	880	28,157	2,617	26,633
Asbestos removal - Buildings	561	–	561	–
Make good provisions	287	2,292	287	2,292
Legal expense	166	–	80	–
Sub-total – other provisions	1,894	30,449	3,545	28,925
Total provisions	1,894	30,449	3,545	28,925

Description of and movements in provisions

\$ '000	Other provisions				Net carrying amount
	Asbestos removal Buildings	Legal expense	Asbestos removal Land	Make good provisions	
2022					
At beginning of year	561	79	29,249	2,578	32,467
Additional provisions	–	87	–	1	88
Amounts used (payments)	–	–	(212)	–	(212)
Total other provisions at end of year	561	166	29,037	2,579	32,343
2021					
At beginning of year	612	233	16,270	2,578	19,693
Additional provisions	–	–	13,197	–	13,197
Amounts used (payments)	(51)	(154)	(218)	–	(423)
Total other provisions at end of year	561	79	29,249	2,578	32,467

Nature and purpose of provisions

Make Good Provisions

Make good provision is recognised for the estimated cost to restore leased premises to its original condition at the conclusion of the lease.

Asbestos Removal

This provision is made for the estimated present value of the costs of asbestos removal from parks, reserves and buildings as at reporting date. Provision is calculated based on the number of sites that were already identified by the Council as contaminated.

The ultimate cost of asbestos removal is uncertain and cost estimates can vary in response to many factors including findings of ongoing investigations as more contaminated land is discovered, updated cost estimates, restoration techniques or experience at other locations.

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.

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C3-5 Provisions (continued)

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 interest expense.

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 Risks and accounting uncertainties

D1-1 Risks relating to financial instruments held

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	63,258	74,401	63,258	74,401
Receivables	152,243	221,532	152,187	220,682
Investments				
– Debt securities at amortised cost	387,150	344,105	387,150	344,105
– Other investments	6,100	5,600	6,100	–
Fair value through profit and loss				
Investments				
– Held for trading	94,480	129,148	94,480	134,748
Total financial assets	703,231	774,786	703,175	773,936
Financial liabilities				
Payables	55,962	43,571	55,962	43,571
Borrowings	12,494	21,687	12,412	20,820
Lease liabilities	7,694	6,583	7,694	6,583
Total financial liabilities	76,150	71,841	76,068	70,974

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'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 section 625 of the *Local Government Act* and the Ministerial Investment Order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

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 the finance team under policies approved by the Councillors.

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 there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** - the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council.

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	4,504	4,185
Impact of a 10% movement in price of investments		
– Equity / Income Statement	10,058	13,475

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges, (ii) user charges and fees, (iii) capital receivable from sale of land.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – 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 the payment of debt.

The receivable from Walker Corporation is secured by:

- \$10.5m bank guarantee,
- holding company guarantee from Walker Holding Group,
- positive covenant on the land title.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges < 5 years	≥ 5 years	Total
2022				
Gross carrying amount	–	21,384	294	21,678
2021				
Gross carrying amount	–	17,710	562	18,272

Receivables other than rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses (ECL) prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	130,532	110	276	26	523	131,467
Expected loss rate (%)	0.00%	7.00%	100.00%	100.00%	100.00%	0.63%
ECL provision	–	8	276	26	523	833
2021						
Gross carrying amount	202,030	942	–	646	555	204,173
Expected loss rate (%)	0.00%	0.00%	0.00%	44.80%	100.00%	0.41%
ECL provision	–	–	–	289	555	844

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

(c) Liquidity risk

Payables, lease liabilities, and borrowings are both subject to liquidity risk – 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 maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate. The Finance Section 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 cashflows 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 and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total contractu al cash flows	Actual carrying values
2022							
Payables	0.00%	16,166	39,796	–	–	55,962	55,962
Borrowings	4.95%	–	9,663	2,831	–	12,494	12,494
Total financial liabilities		16,166	49,459	2,831	–	68,456	68,456
2021							
Payables	0.00%	12,306	30,808	457	–	43,571	43,571
Borrowings	4.99%	–	9,193	12,494	–	21,687	21,687
Total financial liabilities		12,306	40,001	12,951	–	65,258	65,258

D2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- 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.

Fair value hierarchy

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

Level 3: Unobservable inputs for the asset or liability.

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D2-1 Fair value measurement (continued)

		Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Recurring fair value measurements											
Financial assets											
Financial investments	C1-2										
At fair value through profit or loss		30/06/2022	30/06/2021	94,480	129,148	—	—	6,100	5,600	100,580	134,748
Total financial assets				94,480	129,148	—	—	6,100	5,600	100,580	134,748
Infrastructure, property, plant and equipment											
Operational land	C1-5	30/06/2022	30/06/2020	—	—	400,855	366,765	—	—	400,855	366,765
Community land		30/06/2022	30/06/2018	—	—	—	—	327,748	315,124	327,748	315,124
Crown Land		30/06/2018	30/06/2018	—	—	—	—	60,451	60,451	60,451	60,451
Land under roads		30/06/2022	30/06/2018	—	—	—	—	2,625	2,151	2,625	2,151
Land improvements - depreciable		30/06/2022	30/06/2019	—	—	—	—	32,223	27,080	32,223	27,080
Buildings-non specialised		30/06/2022	30/06/2019	—	—	—	—	229,280	164,580	229,280	164,580
Buildings-specialised		30/06/2022	30/06/2019	—	—	—	—	27,890	24,210	27,890	24,210
Other structures		30/06/2021	30/06/2021	—	—	—	—	22,306	17,473	22,306	17,473
Roads		30/06/2022	30/06/2019	—	—	—	—	946,494	916,436	946,494	916,436
Bridges		30/06/2022	30/06/2021	—	—	—	—	120,271	113,890	120,271	113,890
Footpaths		30/06/2022	31/03/2018	—	—	—	—	177,608	151,967	177,608	151,967
Bulk earthworks		30/06/2022	30/06/2019	—	—	—	—	107,266	103,783	107,266	103,783
Stormwater drainage		30/06/2022	30/06/2020	—	—	—	—	491,359	452,803	491,359	452,803
Swimming pools		30/06/2022	30/06/2019	—	—	—	—	1,075	973	1,075	973
Other open space/recreational assets		30/06/2022	30/06/2019	—	—	—	—	54,774	46,912	54,774	46,912
Total infrastructure, property, plant and equipment				—	—	400,855	366,765	2,601,370	2,397,833	3,002,225	2,764,598

Note:

Capital WIP is not included above as it is carried at cost.

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D2-1 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:

Infrastructure, property, plant and equipment (IPPE)

Operational Land

This asset class is comprised of all Council's land classified as Operational Land under the *Local Government Act 1993*. The last desktop valuation was undertaken on 30 June 2022 by APV Valuers & Asset Management and the last comprehensive valuation was undertaken on 30 June 2020.

Carrying amount of Operational Land was assessed at this reporting date by APV. Depending upon the unique circumstances of each lot, land has been valued using a range of approaches.

The valuation of the freehold land that has been carried out on a market value basis - assessed on the basis of the estimated amount which the interest in each property being valued might reasonably be expected to realise on the date of valuation in an exchange between a willing vendor and a willing purchaser in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Where a depth in market was identified, the fair value was assessed as a best estimate of the price reasonably obtainable in the market at the date of valuation. This is based on available market evidence of sales of similar or reference assets.

This asset class is categorised as level 2 as the inputs used in the valuation of these assets are observable.

Community Land (including Crown Land)

Management performed an assessment of fair value based as of 30 June 2022 based on the Valuer General's valuation. From the assessment, a movement from the last revaluation was recognised in the asset revaluation reserve.

Community land assets are comprised of Council owned land classified as Community Land under the *Local Government Act 1993* and land under the care and management of Council on behalf of the Crown.

Council's Community Land was comprehensively revalued as at 30 June 2018 based on the Valuer General's valuation.

Land Under Roads

Land Under Roads identified as roads constructed post 01/07/2008 has been valued on 30/06/2018, based on Municipal Average Land Rate discounted by 90%. Council has elected to only recognise land under roads for new roads constructed after 01/07/2008.

Carrying amount of Land Under Roads was assessed at this reporting date by management and a movement from the last revaluation was recognised in the asset revaluation reserve.

Buildings

Management performed an internal assessment of fair value with reference to indices at 30 June 2022. The primary source of the indices was the 2022 Rawlinson's Australian Construction Handbook. From the assessment, a movement from the last revaluation was recognised in the asset revaluation reserve.

Council engaged APV Valuers & Asset Management to comprehensively value all buildings and to assess change in carrying amount as at 30 June 2019.

The valuation methodology applied is dependent on whether a market exists to substantiate the value of the asset.

Where a depth in market was identified, the fair value was assessed as a best estimate of the price reasonably obtainable in the market at the date of valuation. This is based on available market evidence of sales of similar or reference assets. The net value of the building and site services is the difference between the market value of the asset (as a whole) less the market value of the land component.

Where there is no depth of market the fair value has been determined on current replacement basis. This is calculated by determining the gross current replacement cost and determining the amount of accumulated depreciation to reflect the level of service potential remaining in the asset. The valuation of buildings, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire

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D2-1 Fair value measurement (continued)

alarms, sprinklers and firefighting equipment, and general lighting etc). The buildings and site improvements were physically inspected and measured. The building valuations incorporate a gross current value, net current value and residual value for each asset.

This asset class is categorised as level 3 as some of the inputs used in the valuation of these assets require significant professional judgment and are unobservable

Other Structures

This asset class is comprised of the Bus Shelter, Shelters, Street Furniture, and similar assets.

As of 30 June 2021, the Other Structures assets were valued comprehensively by internal experts using Level 3 valuation inputs and the cost approach.

The significant inputs used in valuing Other Structures were useful life, pattern of consumption, asset condition and gross replacement cost.

Roads

Management performed an internal assessment of fair value with reference to indices at 30 June 2022. The primary source of the indices was the 2022 Rawlinson's Australian Construction Handbook. From the assessment, a movement from the last revaluation was recognised in the asset revaluation reserve.

This asset class is comprised of the Road Carriageway, Kerb & Gutter and Traffic Facilities. The road carriageway is defined as the trafficable portion of a road including the kerb and gutter.

Council's roads are componentised into the formation, pavement, sub-pavement, surface and kerb & gutter and further separated into segments for inspection and valuation.

The formation costs for roads are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. The formation of roads bulk earthworks is non-depreciable as it is not expected that the formation will not need to be renewed during the normal operational use of the assets this financial year.

A comprehensive valuation was completed on 30/06/2019 by APV Valuers & Asset Management. The cost approach was adopted to value Council roads. The replacement cost (based on unit rates), useful lives and conditions were determined by a complete condition assessment using digital imaging technology to gather the granular condition of the Road network by an external specialist Infrastructure Management Group Pty Ltd (IMG).

The valuations are based on the fair value of the modern equivalent of the existing assets. This approach has included an assessment of the overall useful life of each type of asset and the subsequent determination of the remaining useful life of each asset. The unit rates, key unobservable inputs are determined using rates stipulated in contracts with third party suppliers.

Pavement and Surface condition were rated by IMG to support the valuation. Council has a documented condition assessment manual. Each condition criteria were assessed in terms of actual affected extent and severity and applied a scaling to convert it to a 1 to 5 rating scale in line with industry recommendations, which have been aligned to the NAMS ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Bridges

Management performed an internal assessment of fair value with reference to indices at 30 June 2022. The primary source of the indices was the 2022 Rawlinson's Australian Construction Handbook. From the assessment, a movement from the last revaluation was recognised in the asset revaluation reserve.

This asset class is comprised of all pedestrian and vehicle access bridges.

A comprehensive revaluation was conducted as at 30 June 2021 for the existing Parramatta bridges by APV Pty Ltd.

The bridges were inspected by Pitt and Sherry Engineers and APV Pty Ltd valued using the cost approach. The significant inputs used in valuing bridges useful life, pattern of consumption, asset condition and gross replacement cost.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

D2-1 Fair value measurement (continued)

Footpaths

Management performed an internal assessment of fair value with reference to indices at 30 June 2022. The primary source of the indices was the 2022 Rawlinson's Australian Construction Handbook. From the assessment, a movement from the last revaluation was recognised in the asset revaluation reserve.

This asset class is comprised of pedestrian walkways and cycle ways. A comprehensive valuation was conducted by Assetic Pty Ltd on 30 March 2018. Replacement costs (unit rates) and useful lives were determined using technical knowledge. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components, asset condition and residual value.

Surface condition was rated by IMG. Each condition criteria were assessed in terms of actual affected extent and severity and applied a scaling to convert it to a 1 to 5 rating scale in line with industry recommendations, which have been aligned to the NAMS ratings 1 (Excellent) to 5 (Very Poor). IMG Ltd undertook digital imagery condition survey of all Council Footpath assets. Assetic Pty Ltd used the condition data to value the footpath assets using the Cost Approach (Level 3).

Stormwater Drainage

Management performed an internal assessment of fair value with reference to indices at 30 June 2022. The primary source of the indices was the 2022 Rawlinson's Australian Construction Handbook. From the assessment, a movement from the last revaluation was recognised in the asset revaluation reserve.

The Stormwater Drainage asset class consists of Council's Stormwater Conduits, Stormwater Structures and Stormwater Other Structures. In 2020, Assetic Pty Ltd completed a comprehensive valuation of these assets using the replacement cost approach. The valuations are based on the fair value of the modern equivalent of the existing assets. This approach has included an assessment of the overall useful life of each type of asset and the subsequent determination of the remaining useful life of each asset.

Replacement costs (unit rates) and useful lives for stormwater drainage assets were determined through a combination of historic data and technical knowledge, which incorporated standard unit rates applied to the dimensions of the asset based on local projects/ data and available data verified with first principal calculations; and considered environmental factors based on asset location.

Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption. Total Drain Cleaning carried out a condition assessment. Each condition criteria were assessed in terms of actual affected extent and severity and applied a scaling to convert it to a 1 to 5 rating scale in line with industry recommendations, which have been aligned to the NAMS ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Swimming Pools

Management performed an internal assessment of fair value with reference to indices at 30 June 2022. The primary source of the indices was the 2022 Rawlinson's Australian Construction Handbook. From the assessment, a movement from the last revaluation was recognised in the asset revaluation reserve.

Assets within this class are comprised of swimming pools and associated structures.

A comprehensive valuation was conducted by APV as at 30 June 2019 using the cost approach. Significant unobservable inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components, asset condition and residual value.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Open Space Assets

Management performed an internal assessment of fair value with reference to indices at 30 June 2022. The primary source of the indices was the 2022 Rawlinson's Australian Construction Handbook. From the assessment, a movement from the last revaluation was recognised in the asset revaluation reserve.

Open space assets include assets such as playground equipment, barbeques and other park facilities.

As of 30 June 2018, the majority of open space assets were valued comprehensively by internal experts using Level 3 valuation inputs and the cost approach.

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D2-1 Fair value measurement (continued)

As of 30 June 2019, Council revalued the groups of assets (fences, land improvements, irrigations) which were not covered at 30 June 2018 revaluation. The valuation was performed by internal experts using the cost approach.

Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

\$ '000	Fair value 2022	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Community Land	327,748	Land Values obtained from the NSW Valuer-General	Adjustments are made to observable inputs for zoning restrictions, topography, land shape and size
Crown Land	60,451	Land Values obtained from the NSW Valuer-General	Adjustments are made to observable inputs for zoning restrictions, topography, land shape and size
Land Under Roads	2,625	Englobo methodology	Land size
Land improvements	32,223	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Buildings (Specialised and Non-Specialised)	257,170	Market-based direct comparison/cost approach	Market value if available. Otherwise, current replacement cost
Other Structures	22,306	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Roads including bulk earthworks	1,053,760	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Bridges	120,271	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Footpaths	177,608	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Stormwater Drainage	491,359	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Swimming Pools	1,075	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Open Space/Recreational Assets	54,774	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.

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

\$ '000	Total IPPE 2022	2021
Opening balance	2,397,833	2,354,933
Total gains or losses for the period		
Fair value gains – other comprehensive income	153,729	26,228
Other movements		
Disposals (written down value)	(11,422)	(26,942)
Purchases (gross book value)	93,580	80,445
Depreciation and impairment	(36,504)	(35,812)
Transfer to Other assets held at cost	4,154	(1,019)
Closing balance	2,601,370	2,397,833

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D2-1 Fair value measurement (continued)

Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

D3-1 Contingencies

1. Superannuation – Defined Benefits Schemes

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefit, as defined in the Trust Deed, as they accrue.

Council has an ongoing obligation to share in the future rights and liabilities of the Scheme. Favourable or unfavourable variations may arise should the financial requirements of the Scheme differ from the assumptions made by the Scheme's actuary in estimating the accrued benefits liability. Further disclosure relating to defined benefits schemes is shown at Note C3-4.

2. Hazardous Materials Management

Council engaged with the independent expert (JMB Environmental Consulting Pty Ltd - JMBE) in 2018-19 to conduct a Hazardous Materials Management register. JMBE performed the risk assessment and assigned a risk score to each of the Council's buildings. Council has classified the cost of removal of hazardous material for low and very low rated risk items as a contingent liability totalling \$4.7m (\$4.4m in 2018-19 was indexed by CPI Inflation).

E People and relationships

E1 Related party disclosures

E1-1 Key management personnel (KMP)

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

(a) Lord Mayor, (b) Councillors, (c) CEO and (d) Directors.

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	3,117	2,995
Other long-term benefits	216	235
Termination benefits	30	—
Total	3,363	3,230

KMP compensation includes all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. If a person became a KMP of a reporting entity during a reporting period, no disclosure is required for any remuneration paid to that person before that person's appointment as KMP. If a person ceases to be a KMP during a reporting period, the entity is required to disclose that person's compensation for the period until cessation.

Short-term Benefits

Short-term benefits include cash salary and, where relevant for executives, lump sum payments, motor vehicle benefits, car parking and the fringe benefits tax paid or payable on these benefits.

E1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Councillors' fees	482	478
Councillors' expenses (including Mayor)	212	274
Mayoral fee	107	110
Total	801	862

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E2 Other relationships

E2-1 Audit fees

\$ '000	2022	2021
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Auditors of the Council - NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of current year's financial statements	212	200
Overruns for auditing of prior year financial statements recognised in current year	10	13
Local Roads and Community Infrastructure Program Audit for FY2021	7	–
Total Auditor-General remuneration	229	213

Total audit paid or payable to the Audit Office	229	213
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F Other matters

F1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
Net operating result from Income Statement	124,896	69,451
Add / (less) non-cash items:		
Depreciation and amortisation	50,715	49,069
(Gain) / loss on disposal of assets	(22,999)	(19,215)
Non-cash capital grants and contributions	7,790	–
Work in kind received	(18,222)	(2,381)
Gain on Lease modification	(235)	(603)
Value of assets newly discovered at stocktake	–	(1,562)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	2,797	(6,159)
– Revaluation decrements / impairments of IPP&E direct to P&L	–	465
Share of net (profits)/losses of associates/joint ventures using the equity method	–	970
+/- Movement in operating assets and liabilities:		
(Increase) / decrease of receivables	(17,443)	(753)
Increase / (decrease) in provision for impairment of receivables	(11)	(165)
(Increase) / decrease of inventories	22	(22)
(Increase) / decrease of other current assets	1,598	(1,520)
Increase / (decrease) in payables	(556)	5,670
Increase / (decrease) in accrued interest payable	(40)	(36)
Increase / (decrease) in other accrued expenses payable	9,267	576
Increase / (decrease) in other liabilities	3,720	307
Increase / (decrease) in contract liabilities	(4,866)	16,175
Increase / (decrease) in employee benefit provision	(7,558)	5,293
Increase / (decrease) in other provisions	(129)	(417)
Net cash flows from operating activities	128,746	115,143

Council does not use Non-cash investing and financing activities.

F2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	64,772	140,768
Plant and equipment	–	39
Footpaths	34,994	26,651
Roads, kerb and gutter	8,034	9,387
Bridges	545	721
Stormwater Drainage	171	230
IT and web assets	721	853
Other Structure	–	43
Open Space	6,122	5,895
Other	1,740	1,720
Total commitments	117,099	186,307

Details of capital commitments

Capital commitments relate to ongoing capital projects such as Parramatta Square development, Town Hall upgrade, Rydalmere Park Field upgrade, Charles Street Square works, roads, kerb and gutter maintenance, aquatic leisure centre etc.

F3-1 Events occurring after the reporting date

To be updated before signing on the 31 October 2022 if required.

City of Parramatta Council | Notes to the Financial Statements 30 June 2022

F4 Statement of developer contributions as at 30 June 2022

F4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Open space	111	—	—	1	—	—	112	—
Community facilities	8,765	251	—	42	—	—	9,058	—
Traffic and parking	3,047	1	—	14	—	—	3,062	—
Traffic and transport	2	—	—	—	—	—	2	—
Councils OnLine	15	—	—	—	—	—	15	—
Public domain projects	10,122	537	—	46	(1,106)	—	9,599	—
River foreshore park	2,046	238	—	10	(185)	—	2,109	—
Arts and cultural facility	8,140	377	—	33	(2,603)	—	5,947	—
Recreation Facilities	5,467	314	—	18	(3,723)	—	2,076	—
Historic buildings	1,357	63	—	6	—	—	1,426	—
Car park enhancements	226	63	—	1	(9)	—	281	—
Access and transport	11,349	380	—	52	(845)	—	10,936	—
Ermington traffic and pedestrian	—	—	—	—	—	—	—	—
Community facilities (A)	1,199	613	—	5	(1,747)	—	70	—
Drainage, water quality and laneway infrastructure	1,332	351	—	7	—	—	1,690	—
Natural environment	—	116	—	—	(109)	—	7	—
Open space and recreation	17	1,020	—	2	(1,034)	—	5	—
Public domain	1,000	307	—	3	(874)	—	436	—
Roads and shared paths	770	525	—	2	(931)	—	366	—
Parramatta Square	8,111	11,914	—	55	(4,786)	—	15,294	—
Open Space Land - Former Hills	4,728	1	—	21	(425)	—	4,325	—
Open Space Capital - Former Hills	451	—	—	2	—	—	453	—
Transport Facilities Capital - Former Hills	2,477	—	—	11	(120)	—	2,368	—
Administration - Former Hills	1,085	—	—	—	—	—	1,085	—
Stormwater Management - Former Hills	2,322	1	—	10	(548)	—	1,785	—
Community Facilities - Former Hills	2,061	52	—	10	—	—	2,123	—
Open Space and Recreation -Former Hills	3,394	171	—	15	(466)	—	3,114	—
Roads and Natural Paths -Former Hills	2,956	198	—	10	(1,717)	—	1,447	—
Natural Environment -Former Hills	57	25	—	—	—	—	82	—
Public Domain -Former Hills	97	25	—	—	—	—	122	—
Drainage and Water Quality -Former Hills	113	26	—	—	—	—	139	—
Drainage & Water Quality (Former Hornsby)	255	3	—	1	—	—	259	—
Public Domain - Former Hornsby	1,942	26	—	9	—	—	1,977	—
Roads - Former Hornsby	1,718	15	—	8	(60)	—	1,681	—
Open Space - Former Hornsby	13,666	131	—	63	(352)	—	13,508	—

continued on next page ...

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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

F4-1 Summary of developer contributions (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Community Facilities - Former Hornsby	2,978	18	–	12	(826)	–	2,182	–
Plan Administration - Former Hornsby	54	17	–	–	(29)	–	42	–
Other - Former Hornsby	3,101	542	–	16	–	–	3,659	–
Community Facilities - Former Auburn	146	36	–	1	–	–	183	–
Public Domain - Former Auburn	322	146	–	2	–	–	470	–
Accessibility and Traffic - Former Auburn	182	105	–	1	–	–	288	–
Plan Administration - Former Auburn	33	1	–	–	–	–	34	–
Open Space (HBW)	10,501	1,134	–	52	(277)	–	11,410	–
Community Facilities (HBW)	255	–	–	1	–	–	256	–
Traffic Management (HBW)	2,657	–	–	12	(116)	–	2,553	–
Plan Administration (HBW)	318	–	–	1	(195)	–	124	–
Community Facilities (Carter Street)	378	86	–	2	–	–	466	–
Local Open Space (Carter Street)	999	226	–	5	–	–	1,230	–
District Recreation (Carter Street)	2,271	514	–	12	–	–	2,797	–
Active Transport (Carter Street)	757	171	–	4	–	–	932	–
Traffic Management (Carter Street)	881	171	–	5	(23)	–	1,034	–
Plan Administration (Carter Street)	30	7	–	–	(37)	–	–	–
Parks and Recreation (former Holroyd)	131	16	–	1	–	–	148	–
Sporting Fields (former Holroyd)	131	16	–	1	–	–	148	–
Community Facilities (former Holroyd)	55	7	–	–	–	–	62	–
Total S7.11 and S7.12 revenue under plans	126,578	20,957	–	585	(23,143)	–	124,977	–
S7.4 planning agreements	4,065	10,173	2,057	36	(492)	–	13,782	–
Total contributions	130,643	31,130	2,057	621	(23,635)	–	138,759	–

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.

F4-2 S7.11 and S7.12 Contributions – under a plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
PARRAMATTA SECTION 7.11 CONTRIBUTION PLAN NUMBER 1								
Traffic and parking	3,047	—	—	14	—	—	3,061	—
Total	3,047	—	—	14	—	—	3,061	—

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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

F4-2 S7.11 and S7.12 Contributions – under a plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
PARRAMATTA COMPREHENSIVE SECTION 7.11 CONTRIBUTION PLAN								
Open space	111	–	–	1	–	–	112	–
Plan management	–	1	–	–	–	–	1	–
Traffic and transport	2	–	–	–	–	–	2	–
Total	113	1	–	1	–	–	115	–
PARRAMATTA COMPREHENSIVE SECTION 7.12 CONTRIBUTION PLAN (NON CITY CENTRE)								
Councils OnLine	15	–	–	–	–	–	15	–
Community facilities (A)	1,199	613	–	5	(1,747)	–	70	–
Drainage, water quality and laneway infrastructure	1,332	351	–	7	–	–	1,690	–
Natural environment	–	116	–	–	(109)	–	7	–
Open space and recreation	17	1,020	–	2	(1,034)	–	5	–
Public domain	1,000	307	–	3	(874)	–	436	–
Roads and shared paths	770	525	–	2	(931)	–	366	–
Total	4,333	2,932	–	19	(4,695)	–	2,589	–
PARRAMATTA COMPREHENSIVE SECTION 7.12 CONTRIBUTION PLAN (CIVIC IMPROVEMENT)								
Community facilities	8,765	251	–	42	–	–	9,058	–
Public domain projects	10,123	537	–	46	(1,106)	–	9,600	–
River foreshore park	2,046	238	–	10	(185)	–	2,109	–
Arts and cultural facility	8,140	377	–	33	(2,603)	–	5,947	–
Recreation Facilities	5,467	314	–	18	(3,723)	–	2,076	–
Historic buildings	1,357	63	–	6	–	–	1,426	–
Car park enhancements	226	63	–	1	(9)	–	281	–
Parramatta Square	8,111	11,914	–	55	(4,786)	–	15,294	–
Access and transport	11,347	380	–	52	(845)	–	10,934	–
Total	55,582	14,137	–	263	(13,257)	–	56,725	–
SECTION 7.11 DEVELOPMENT CONTRIBUTION PLAN - CARLINGFORD PRECINCT								
Open Space Land – Former Hills	4,728	1	–	21	(425)	–	4,325	–
Open Space Capital – Former Hills	451	–	–	2	–	–	453	–
Transport Facilities Capital – Former Hills	2,477	–	–	11	(120)	–	2,368	–
Administration – Former Hills	1,085	–	–	–	–	–	1,085	–
Stormwater Management – Former Hills	2,322	1	–	10	(548)	–	1,785	–
Community Facilities – Former Hills	1,875	–	–	9	–	–	1,884	–
Total	12,938	2	–	53	(1,093)	–	11,900	–

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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

F4-2 S7.11 and S7.12 Contributions – under a plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Community Facilities – Former Hills	187	52	–	1	–	–	240	–
Open Space and Recreation -Former Hills	3,394	171	–	15	(466)	–	3,114	–
Roads and Natural Paths -Former Hills	2,956	198	–	10	(1,717)	–	1,447	–
Natural Environment -Former Hills	58	25	–	–	–	–	83	–
Public Domain -Former Hills	98	25	–	–	–	–	123	–
Drainage and Water Quality -Former Hills	113	26	–	–	–	–	139	–
Total	6,806	497	–	26	(2,183)	–	5,146	–
SECTION 7.11 FORMER EPPING AND HORNSBY TC								
Plan Administration – Former Hornsby	28	1	–	–	(29)	–	–	–
Community Facilities – Former Hornsby	808	17	–	2	(826)	–	1	–
Drainage & Water Quality (Former Hornsby)	255	3	–	1	–	–	259	–
Open Space – Former Hornsby	7,595	128	–	35	(283)	–	7,475	–
Public Domain – Former Hornsby	1,943	26	–	9	–	–	1,978	–
Roads – Former Hornsby	995	15	–	5	(60)	–	955	–
Total	11,624	190	–	52	(1,198)	–	10,668	–
HORNSBY SECTION 7.11 DEVELOPMENT CONTRIBUTIONS PLAN								
Roads – Former Hornsby	723	–	–	3	–	–	726	–
Open Space – Former Hornsby	6,071	3	–	28	(69)	–	6,033	–
Community Facilities – Former Hornsby	2,170	1	–	10	–	–	2,181	–
Plan Administration – Former Hornsby	26	–	–	–	–	–	26	–
Total	8,990	4	–	41	(69)	–	8,966	–
HORNSBY SECTION 7.12 DEVELOPMENT CONTRIBUTION PLAN								
Other – Former Hornsby	2,051	7	–	10	–	–	2,068	–
Total	2,051	7	–	10	–	–	2,068	–
AUBURN DEVELOPMENT CONTRIBUTIONS PLAN 2007 - PART B RESIDENTIAL AND PART F EMPLOYMENT								
Community Facilities – Former Auburn	147	5	–	1	–	–	153	–
Public Domain – Former Auburn	322	11	–	2	–	–	335	–
Accessibility and Traffic – Former Auburn	182	3	–	1	–	–	186	–
Plan Administration – Former Auburn	33	1	–	–	–	–	34	–
Total	684	20	–	4	–	–	708	–
AUBURN DEVELOPMENT CONTRIBUTIONS PLAN 2007 - PART C HOMEBUSH BAY WEST								
Open Space (HBW)	10,501	1	–	49	(277)	–	10,274	–
Community Facilities (HBW)	255	–	–	1	–	–	256	–
Traffic Management (HBW)	2,657	–	–	12	(116)	–	2,553	–

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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

F4-2 S7.11 and S7.12 Contributions – under a plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Plan Administration (HBW)	318	–	–	1	(195)	–	124	–
Total	13,731	1	–	63	(588)	–	13,207	–
CARTER STREET PRECINCT DEVELOPMENT CONTRIBUTION PLAN 2016								
Community Facilities (Carter Street)	378	86	–	2	–	–	466	–
Local Open Space (Carter Street)	999	226	–	5	–	–	1,230	–
District Recreation (Carter Street)	2,270	514	–	12	–	–	2,796	–
Active Transport (Carter Street)	757	171	–	4	–	–	932	–
Traffic Management (Carter Street)	881	171	–	5	(23)	–	1,034	–
Plan Administration (Carter Street)	30	7	–	–	(37)	–	–	–
Total	5,315	1,175	–	28	(60)	–	6,458	–
HOLROYD SECTION 7.11 DEVELOPMENT CONTRIBUTIONS PLAN 2013								
Community Facilities (former Holroyd)	55	7	–	–	–	–	62	–
Parks and Recreation (former Holroyd)	131	16	–	1	–	–	148	–
Sporting Fields (former Holroyd)	131	16	–	1	–	–	148	–
Plan administration (former Holroyd)	6	1	–	–	–	–	7	–
Total	323	40	–	2	–	–	365	–
SECTION 7.12 FORMER EPPING AND HORNSBY TC								
Other – Former Hornsby	1,051	205	–	5	–	–	1,261	–
Total	1,051	205	–	5	–	–	1,261	–
S7.11 New Outside CBD plan (effective September 2021)								
Plan Administration	–	16	–	–	–	–	16	–
Traffic and transport	–	330	–	1	–	–	331	–
Aquatic facilities	–	31	–	–	–	–	31	–
Community facilities	–	135	–	–	–	–	135	–
Indoor sports courts	–	102	–	–	–	–	102	–
Open space and outdoor recreation	–	1,133	–	3	–	–	1,136	–
Total	–	1,747	–	4	–	–	1,751	–

F4-3 S7.4 planning agreements

S7.4 planning agreements

Lennox Bridge Portals	567	305	2,057	16	–	–	888	–
Parramatta River Pedestrian Crossing	2,682	–	–	67	(493)	–	2,256	–

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City of Parramatta Council | Notes to the Financial Statements 30 June 2022

F4-3 S7.4 planning agreements (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Local Road Works River Road West	181	–	–	(152)	–	–	29	–
Local road works Ermington	12	–	–	(10)	–	–	2	–
Robin Thomas Reserve	229	–	–	5	–	–	234	–
Bushland Regeneration Ponds Creek Reserve	24	–	–	–	–	–	24	–
Wentworth Point Library and Community Center	–	–	–	–	–	–	–	–
VPA-21 Hassal St	93	–	–	2	–	–	95	–
VPA- 258-262 Pennant Hills Road and 17-20 Azile Court, Carligford	353	–	–	9	–	–	362	–
VPA- Parramatta River Foreshore Revitalisation (180 George street, Parramatta)	–	7,790	–	18	1	–	7,809	–
VPA 1-7 Thallon Street	–	390	–	1	–	–	391	–
VPA-14-20 Parkes Street Parramatta	–	1,688	–	5	–	–	1,693	–
Total	4,141	10,173	2,057	(39)	(492)	–	13,783	–

City of Parramatta Council | Notes to the Financial Statements 30 June 2022

F5 Statement of performance measures

F5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicator 2021	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	5,024	1.78%	(0.19)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	282,576			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	252,598	69.10%	78.67%	> 60.00%
Total continuing operating revenue ¹	365,533			
3. Unrestricted current ratio				
Current assets less all external restrictions	334,461	4.34x	5.30x	> 1.50x
Current liabilities less specific purpose liabilities	77,120			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	73,434	4.93x	3.40x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	14,892			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	21,609	9.70%	8.58%	< 5.00%
Rates and annual charges collectable	222,836			
The ratio is outside the benchmark and deteriorated this year due to the impact of COVID-19 where Council did not actively pursue the collection of overdue rates and charges				
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	450,408	20.24	19.98	> 3.00
Monthly payments from cash flow of operating and financing activities	22,259	mths	mths	mths

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

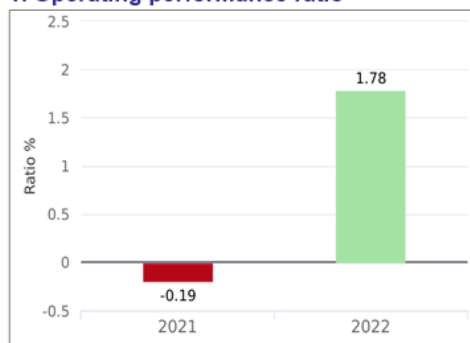
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

End of the audited financial statements

G Additional Council disclosures (unaudited)

G1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio 1.78%

The ratio improved in comparison to the prior year due to:

- a higher level of operating grants in the current year in comparison to the prior year; and
- the additional income was received from the lease of the new office building purchased in September 2021 (i.e. 9 Wentworth Street, Parramatta).

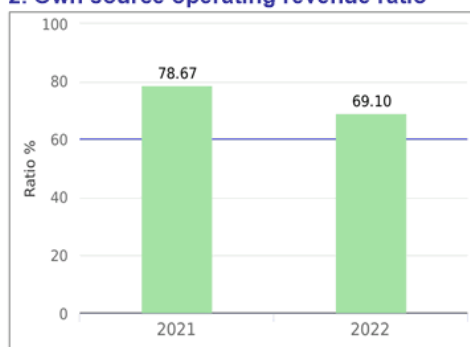
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2021/22 result

2021/22 ratio 69.10%

The ratio remains above the benchmark. The deterioration from the prior year is mostly due to higher reliance on operational grants in Riverside Theatre operations and other areas.

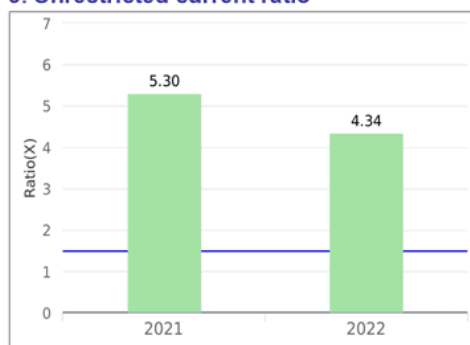
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2021/22 result

2021/22 ratio 4.34x

The ratio remains above the benchmark with no significant changes from the prior year.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

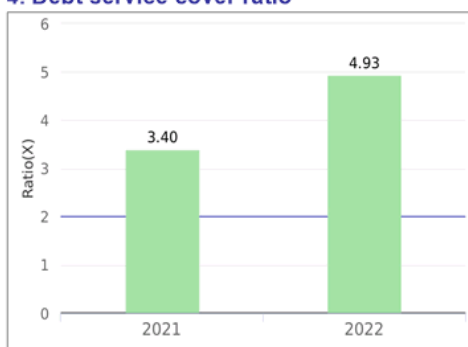
Ratio is outside benchmark

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G1-1 Statement of performance measures – consolidated results (graphs) (continued)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 4.93x

The ratio is still above the benchmark with the improvement due to higher operating results in the current year in comparison to the prior year.

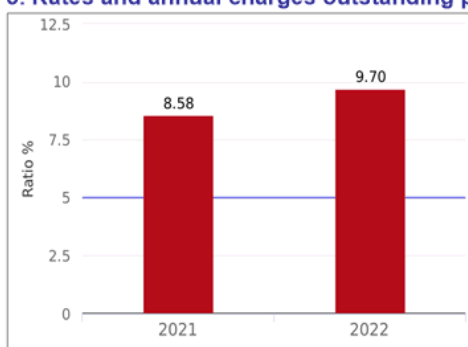
Benchmark: — > 2.00x

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 2021/22 result

2021/22 ratio 9.70%

The ratio is outside the benchmark and deteriorated this year due to the impact of COVID-19 where Council did not actively pursue the collection of overdue rates and charges.

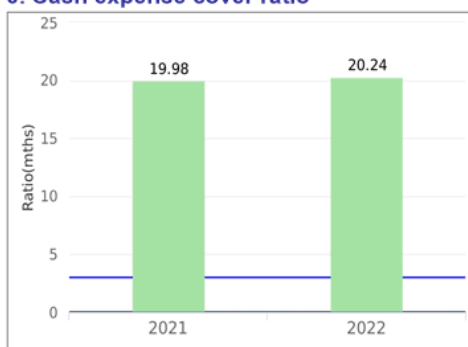
Benchmark: — < 5.00%

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 2021/22 result

2021/22 ratio 20.24 mths

The cash expense cover ratio exceeds the benchmark with no significant change from the prior year.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-2 Council information and contact details

Principal place of business:

126 Church Street
Parramatta NSW 2150

Contact details**Mailing Address:**

PO BOX 32
Parramatta NSW 2124

Opening hours:

8:30am - 4:30pm
Monday to Friday

Telephone: (02) 9806 5050

Facsimile: (02) 9806 5917

Internet: <http://www.cityofparramatta.nsw.gov.au/>

Email: council@cityofparramatta.nsw.gov.au

Officers**Chief Executive Officer**

Bryan Hynes

Responsible Accounting Officer

John Angilley

Auditors

Audit Office of NSW
Level 19, Tower 2 Darling Park, 201 Sussex St,
Sydney NSW 2000

Elected members**Lord Mayor**

Donna Davis

Councillors

Samir Pandey (Deputy Lord Mayor)
Pierre Esber
Michelle Garrard
Kellie Darley
Lorraine Wearne
Cameron Maclean
Ange Humphries
Georgina Valjack
Donna Wang
Henry Green
Phil Bradley
Dr Patricia Prociv
Dan Siviero
Paul Noack

Other information

ABN: 49 907 174 773

City of Parramatta Council | Notes to the Financial Statements 30 June 2022

City of Parramatta Council

General Purpose Financial Statements

for the year ended 30 June 2022

Independent Auditor's Report:

Independent Auditor's Report

Please uplift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).



Special Purpose Financial Statements

for the year ended 30 June 2022



**CITY OF
PARRAMATTA**

City of Parramatta Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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Background

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

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

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

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

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

City of Parramatta Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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 31 October 2022.

Donna Davis
Lord Mayor
31 October 2022

Sameer Pandey
Deputy Lord Mayor
31 October 2022

Bryan Hynes
Chief Executive Officer
31 October 2022

John Angilley
Responsible Accounting Officer
31 October 2022

City of Parramatta Council | Income Statement of Car park operations | for the year ended 30 June 2022

City of Parramatta Council

Income Statement of Car park operations

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	5,210	7,788
Total income from continuing operations	5,210	7,788
Expenses from continuing operations		
Employee benefits and on-costs	437	587
Materials and services	1,127	1,321
Depreciation, amortisation and impairment	587	739
Calculated taxation equivalents	1,417	1,843
Other expenses	1,173	2,247
Total expenses from continuing operations	4,741	6,737
Surplus (deficit) from continuing operations before capital amounts	469	1,051
Less: corporate taxation equivalent (25%) [based on result before capital]	(117)	(273)
Surplus (deficit) after tax	352	778
Plus accumulated surplus	149,241	146,347
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1,417	1,843
– Corporate taxation equivalent	117	273
Closing accumulated surplus	151,127	149,241
Return on capital %	0.4%	0.9%
Subsidy from Council	3,714	669

City of Parramatta Council | Income Statement of Leasing of Council property | for the year ended 30 June 2022

City of Parramatta Council

Income Statement of Leasing of Council property
for the year ended 30 June 2022

\$ '000	2022 ¹ Category 1	2021 Category 2
Income from continuing operations		
Rental revenue	3,870	311
Total income from continuing operations	3,870	311
Expenses from continuing operations		
Employee benefits and on-costs	464	89
Materials and services	231	34
Depreciation, amortisation and impairment	836	47
Calculated taxation equivalents	326	67
Other expenses	725	61
Total expenses from continuing operations	2,582	298
Surplus (deficit) from continuing operations before capital amounts	1,288	13
Less: corporate taxation equivalent (25%) [based on result before capital]	(322)	(3)
Surplus (deficit) after tax	966	10
Plus accumulated surplus	5,291	5,211
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	326	67
– Corporate taxation equivalent	322	3
Closing accumulated surplus	6,905	5,291
Return on capital %	1.7%	0.2%
Subsidy from Council	1,435	67

⁽¹⁾ Leasing Operations for 2022 is listed under Category 1 business activities.

City of Parramatta Council | Statement of Financial Position of Car park operations | for the year ended 30 June 2022

City of Parramatta Council

Statement of Financial Position of Car park operations

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Non-current assets		
Receivables - Due from General Fund	831	—
Infrastructure, property, plant and equipment	114,304	113,139
Total non-current assets	115,135	113,139
Total assets	115,135	113,139
LIABILITIES		
Current liabilities		
Payables-due to general fund	—	63
Employee benefit provisions	70	116
Total current liabilities	70	179
Total liabilities	70	179
Net assets	115,065	112,960
EQUITY		
Accumulated surplus	94,622	147,124
Distribution to Council (equity)	(5,500)	(52,854)
Revaluation reserve	25,943	18,690
Total equity	115,065	112,960

City of Parramatta Council | Statement of Financial Position of Leasing of Council property | for the year ended 30 June 2022

City of Parramatta Council

Statement of Financial Position of Leasing of Council property

as at 30 June 2022

\$ '000	2022 ¹ Category 1	2021 Category 2
ASSETS		
Non-current assets		
Receivables	27	–
Receivables – due from general fund	2,175	344
Infrastructure, property, plant and equipment	74,377	5,266
Total non-current assets	76,579	5,610
Total assets	76,579	5,610
LIABILITIES		
Current liabilities		
Employee benefit provisions	49	11
Total current liabilities	49	11
Non-current liabilities		
Employee benefit provisions	30	11
Total non-current liabilities	30	11
Total liabilities	79	22
Net assets	76,500	5,588
EQUITY		
Accumulated surplus	3,309	2,343
Distribution to Council (equity)	67,894	2,877
Revaluation reserves	5,297	368
Total equity	76,500	5,588

(1) Leasing operations for 2021-22 is listed under Category 1 business activities.

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* (NSW), the *Local Government (General) Regulation 2005*, 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, current values 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, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1 - Business activities with gross operating turnover is over \$2 million

Car Park Operations

To generate income for the Council through operations of car parking facilities.

Leasing Operations

To generate income for the Council through the leasing of Council-owned shops, buildings.

Category 2 - Business activities with gross operating turnover is less than \$2 million

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.

continued on next page ...

Page 8 of 10

Note – Significant Accounting Policies (continued)

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

Notional rate applied (%)

Corporate income tax rate – 25%

Land tax – the first \$822,000 of combined land values attracts 0%. For the combined land values in excess of \$822,001 up to \$5,026,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$5,026,000 a premium marginal rate of 2.0% applies.

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of IPPE as at 30 June

continued on next page ...

Page 9 of 10

Note – Significant Accounting Policies (continued)

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.66% at 30 June 2022.

(iii) Dividends

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



Special Schedules

for the year ended 30 June 2022



**CITY OF
PARRAMATTA**

City of Parramatta Council

Special Schedules

for the year ended 30 June 2022

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Report on infrastructure assets as at 30 June 2022	5

City of Parramatta Council | Permissible income for general rates | for the year ended 30 June 2022

City of Parramatta Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	155,184	159,357
Plus or minus adjustments ²	b	1,130	691
Notional general income	c = a + b	156,314	160,048
Permissible income calculation			
Special variation percentage ³	d	0.00%	2.50%
Or rate peg percentage	e	2.00%	0.00%
Plus special variation amount	h = d x (c + g)	—	4,002
Or plus rate peg amount	i = d x e x (c + g)	3,127	—
Sub-total	k = (c + g + h + i + j)	159,441	164,050
Plus (or minus) last year's carry forward total	l	(146)	(20)
Less valuation objections claimed in the previous year	m	—	(43)
Sub-total	n = (l + m)	(146)	(63)
Total permissible income	o = k + n	159,295	163,987
Less notional general income yield	p	159,357	162,912
Catch-up or (excess) result	q = o - p	(63)	1,075
Plus income lost due to valuation objections claimed ⁴	r	43	—
Carry forward to next year ⁵	t = q + r + s	(20)	1,075

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) The "special variation percentage" is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

City of Parramatta Council | Report on infrastructure assets as at 30 June 2022 | for the year ended 30 June 2022

City of Parramatta Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings	1,210	4,217	17,003	15,730	230,177	298,750	60.2%	32.0%	6.4%	1.2%	0.2%
	Sub-total	1,210	4,217	17,003	15,730	230,177	298,750	60.2%	32.0%	6.4%	1.2%	0.2%
Other structures	Other structures	201	703	—	—	22,306	26,897	8.7%	73.2%	15.5%	2.2%	0.4%
	Sub-total	201	703	—	—	22,306	26,897	8.7%	73.2%	15.5%	2.2%	0.4%
Roads	Roads	7,004	22,498	15,561	15,429	903,010	1,226,705	32.6%	42.9%	22.7%	1.4%	0.4%
	Roads (including kerb and gutter and traffic management devices)	—	—	—	—	—	—	0.0%	0.0%	13.0%	0.0%	0.0%
	Bridges	1	4	—	—	112,734	133,652	69.2%	29.8%	1.0%	0.0%	0.0%
	Footpaths	640	2,499	2,547	2,214	159,049	219,126	13.6%	37.7%	47.8%	0.9%	0.0%
	Bulk earthworks	—	—	—	—	103,869	103,869	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	7,645	25,001	18,108	17,643	1,278,662	1,683,352	37.2%	38.5%	22.8%	1.1%	0.3%

City of Parramatta Council | Report on infrastructure assets as at 30 June 2022 | for the year ended 30 June 2022

City of Parramatta Council

Report on infrastructure assets as at 30 June 2022 (continued)

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Stormwater drainage	Stormwater drainage	5,631	16,792	5,469	6,230	458,743	664,924	9.3%	65.7%	22.4%	1.7%	0.9%
	Sub-total	5,631	16,792	5,469	6,230	458,743	664,924	9.3%	65.7%	22.4%	1.7%	0.9%
Open space / recreational assets	Swimming pools	—	—	—	—	959	1,512	0.0%	0.0%	0.0%	0.0%	100.0%
	Other open space assets	703	2,541	25,148	23,549	47,493	79,374	46.5%	23.4%	26.5%	3.2%	0.4%
	Sub-total	703	2,541	25,148	23,549	48,452	80,886	45.6%	23.0%	26.0%	3.1%	2.3%
Total – all assets		15,390	49,254	65,728	63,152	2,038,340	2,754,809	32.9%	44.3%	21.0%	1.3%	0.5%

^(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

City of Parramatta Council | Report on infrastructure assets as at 30 June 2022 | for the year ended 30 June 2022

City of Parramatta Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicator 2021	Benchmark
Buildings and infrastructure renewals ratio				
Asset renewals ¹	34,358	96.58%	166.25%	>= 100.00%
Depreciation, amortisation and impairment	35,576			
Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	15,390	0.67%	0.68%	< 2.00%
Net carrying amount of infrastructure assets	2,282,405			
Asset maintenance ratio				
Actual asset maintenance	63,152	96.08%	102.08%	> 100.00%
Required asset maintenance	65,728			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	49,254	1.79%	1.69%	
Gross replacement cost	2,754,809			

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

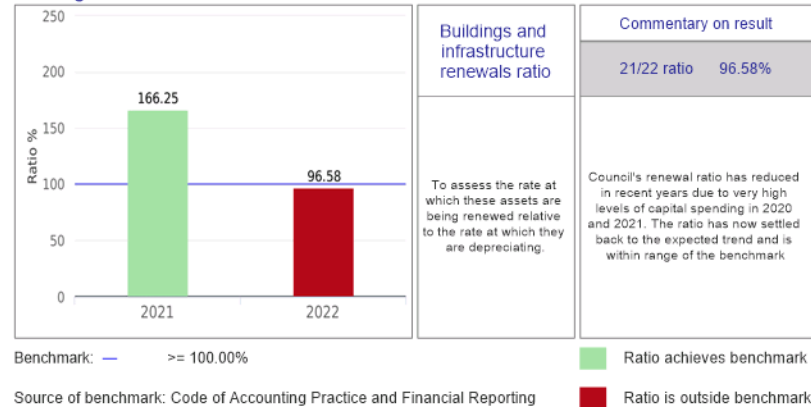
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

City of Parramatta Council | Report on infrastructure assets as at 30 June 2022 | for the year ended 30 June 2022

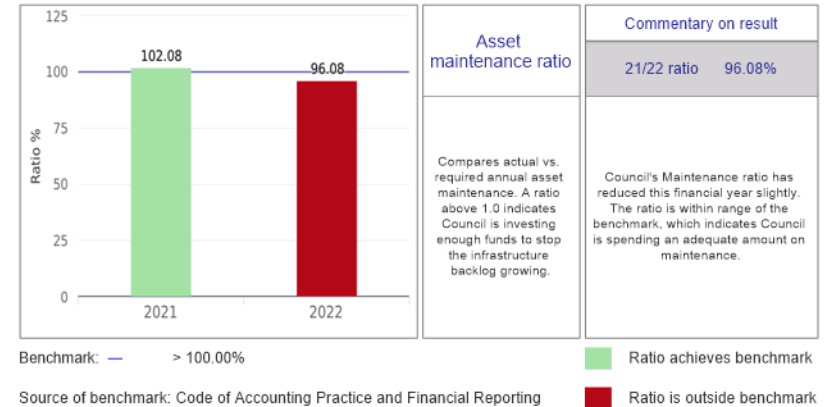
City of Parramatta Council

Report on infrastructure assets as at 30 June 2022

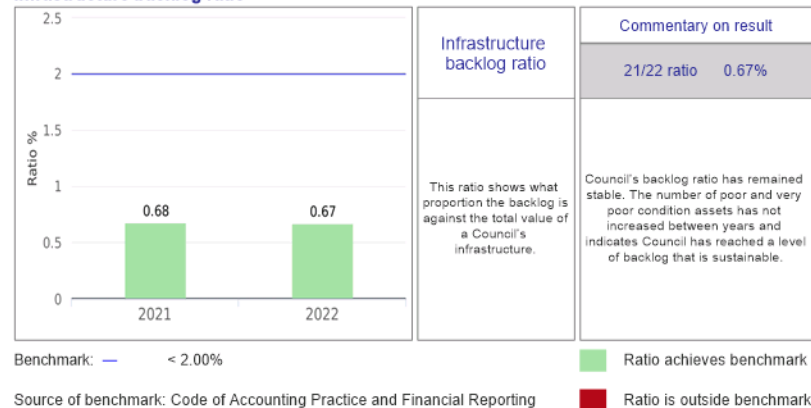
Buildings and infrastructure renewals ratio



Asset maintenance ratio



Infrastructure backlog ratio



Cost to bring assets to agreed service level





Cr Donna Davis
Lord Mayor
City of Parramatta Council
PO Box 32
PARRAMATTA NSW 2124

Contact: Nirupama Mani
Phone no: 02 9275 7111
Our ref: D2220179/1776

XX October 2022

Dear Lord Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.





Review of privileged user activities

Australian Auditing Standards require the auditor to understand the Council's control activities and obtain an understanding of how it has responded to risks arising from Information Technology (IT). In 2021-22, the audit team reviewed the Council's IT control environment over its key business applications and identified a repeat issue related to a lack of review of privileged user activities in these systems.

I have rated this matter as high risk and my audit findings will be reported in the Management Letter.

INCOME STATEMENT

Operating result

	2022 \$m	2021 \$m	Variance %
Rates and annual charges revenue	204.5	197.8	 3.4
Grants and contributions revenue	112.9	67.6	 67.0
Operating result from continuing operations	124.9	69.5	 79.7
Net operating result before capital grants and contributions	41.9	23.4	 79.1

Rates and annual charges revenue of \$204.5 million increased by \$6.7 million (3.4 per cent) in 2021–22 due to:

- annual rate peg increase applied to ordinary rates (2.0 per cent)
- increase of \$2.2 million for domestic waste management service charges.

Grants and contributions revenue of \$112.9 million increased by \$45.3 million (67.0 per cent) in 2021–22 due to the:

- increase of \$21.2 million of developer contributions recognised during the year. The increase was mainly attributable to the higher s.7-11 cash contributions received of \$11.7 million and higher developer contributions related to the Voluntary Planning Agreement(s) of \$9.6 million
- increase of \$21.1 million of special purpose grants and non-developer contributions recognised during the year. The increase was mainly attributable to the higher cash contributions received of \$14.3 million related to the Parramatta Aquatic Centre.

The Council's operating result from continuing operations of \$124.9 million (including depreciation and amortisation expense of \$50.7 million) was \$55.4 million higher than the 2020–21 result. This was mainly due to:

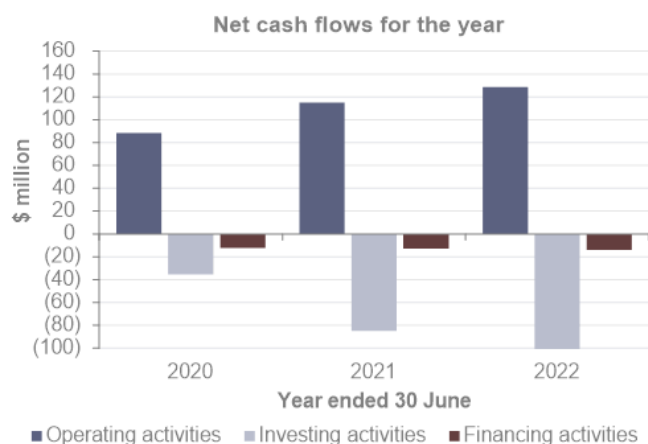
- \$6.7 million increase in rates and annual charges, \$45.3 million increase in grant and contributions provided for operating and capital purposes and \$10.5 million increase in other income
- offset by \$5.3 million decrease in user fees and charges and \$9.4 million increase in materials and services expenses.

The net operating result before capital grants and contributions of \$41.9 million was \$18.5 million higher than the 2020–21 result. This was mainly due the assets received from the NSW Government for the Paramatta Light Rail of \$16.2 million.

STATEMENT OF CASH FLOWS

The Council's cash and cash equivalents balance at 30 June 2022 was \$63.3 million. Net cash flows for the year decreased by \$11.1 million.

The overall decrease in net cash flows was due to net cash outflows used in investing activities of \$126.0 million mainly from purchase of infrastructure, property, plant and equipment and net cash outflows used in financing activities of \$13.9 million. This was offset by net cash inflows of \$128.7 million in operating activities.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	551.0	553.3	<ul style="list-style-type: none"> Cash and cash equivalents and investments decreased by \$2.3 million
Restricted and allocated cash, cash equivalents and investments:			<ul style="list-style-type: none"> Externally restricted funds mainly comprise development contributions, proceeds from the sale of the Museum of Applied Arts and Sciences (MAAS) site, specific purpose unexpended grants and domestic waste management.
• External restrictions	258.7	261.1	<ul style="list-style-type: none"> Internally restricted cash and investments are restricted due to Council policy. Restricted funds comprise of funds set aside for the Property and significant assets reserve (\$170.8 million), Employee leave entitlements (\$6.4 million), parking meters (\$0.4 million) and Urgent ward works (\$0.2 million). The Property and significant assets reserve represent funds set aside from the sale of property, such as the Parramatta Square site.
• Internal allocations	178.7	205.1	

Debt

The Council had borrowings of \$12.5 million at 30 June 2022, of which \$9.7 million is classified as a current liability to be settled within the next 12 months. Council repaid loan principal of \$9.2 million during the year.

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 exceeded the OLG benchmark for the current reporting period.

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



Own source operating revenue ratio

The Council exceeded the OLG benchmark for the current reporting period.

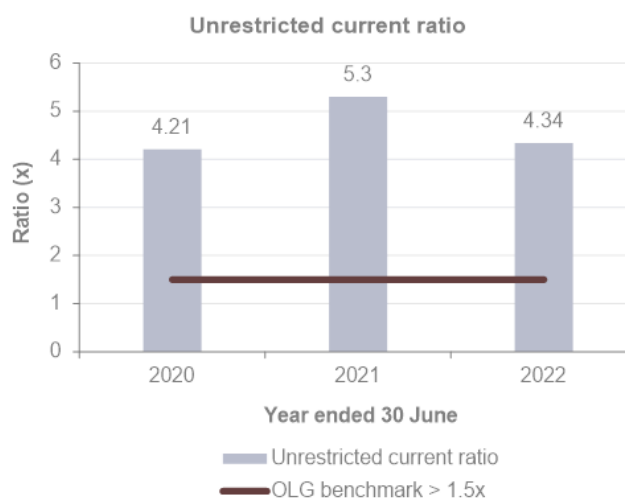
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

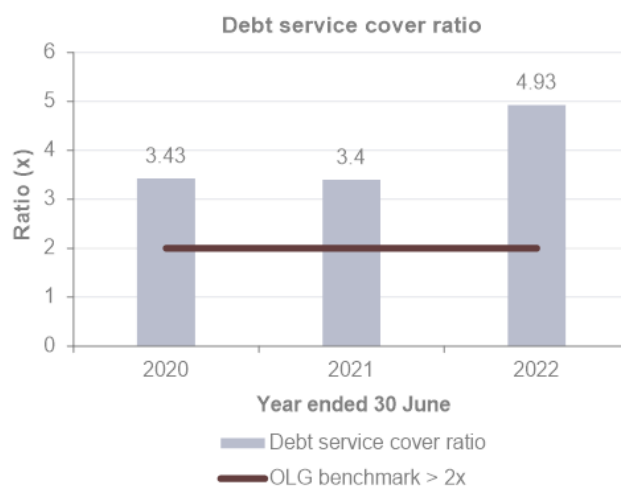
The Council exceeded the OLG benchmark for the current reporting period.

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

**Debt service cover ratio**

The Council exceeded the OLG benchmark for the current reporting period.

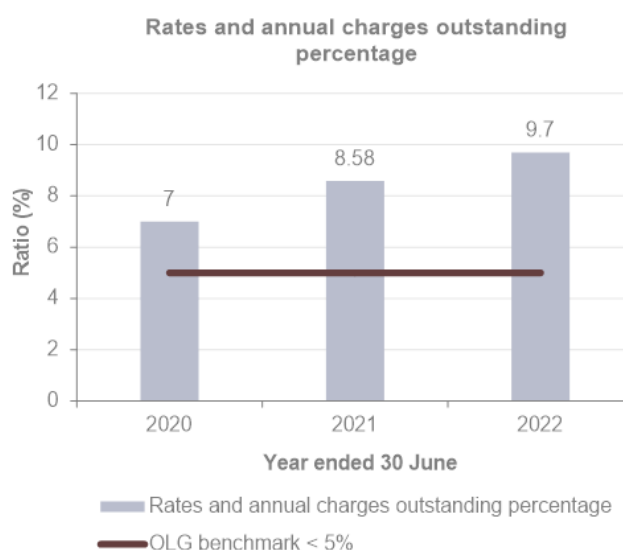
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council did not meet the OLG benchmark for the current reporting period. This ratio has been impacted by COVID-19 where Council did not pursue certain debtors in financial hardship.

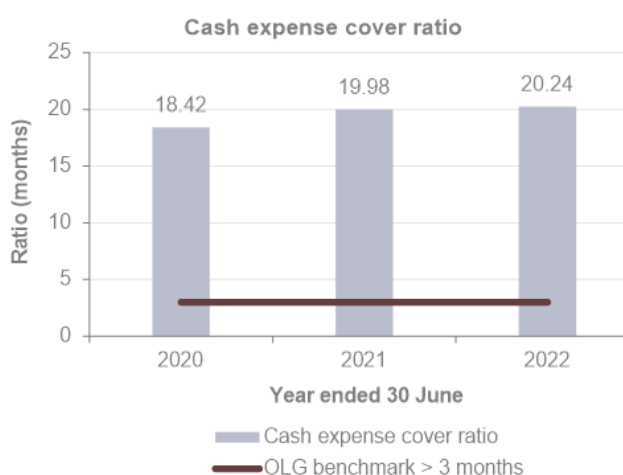
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

The Council exceeded the OLG benchmark for the current 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

The Council incurred \$34.4 million on asset renewals during 2021-22, which is a decrease of \$23.8 million in asset renewals from the prior year. The decrease is mainly attributable to a decrease in renewals of capital works in progress of \$12.1 million and a decrease of \$7.2 million in renewals for roads.

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.

Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Bryan Hynes, Acting Chief Executive Officer
Dr. Col Gellatly, AO, Chair of the Audit, Risk and Improvement Committee
Michael Cassel, Secretary of the Department of Planning and Environment