

# FINANCIAL STATEMENTS

Year ended 30 June 2022

General Purpose, Special Purpose  
and associated Special Schedules

17 October 2022

SUTHERLAND SHIRE



# Sutherland Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

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*A connected and safe community that respects people and nature, enjoying active lives in a strong local economy.*



# Sutherland Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2022

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### Overview

Sutherland Shire Council is constituted under the *Local Government Act 1993 (NSW)* and has its principal place of business at 4-20 Eton Street, Sutherland, NSW, 2232.

The following principles of sound financial management apply to councils—

- (a) Council spending should be responsible and sustainable, aligning general revenue and expenses.
- (b) Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.
- (c) Councils should have effective financial and asset management, including sound policies and processes for the following—
  - (i) performance management and reporting,
  - (ii) asset maintenance and enhancement,
  - (iii) funding decisions,
  - (iv) risk management practices.
- (d) Councils should have regard to achieving intergenerational equity, including ensuring the following—
  - (i) policy decisions are made after considering their financial effects on future generations,
  - (ii) the current generation funds the cost of its services.

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

Council has ensured that our reporting is timely, complete and readily available to the community. All financial reporting and other information is publicly available on our website: [www.sutherlandshire.nsw.gov.au](http://www.sutherlandshire.nsw.gov.au).

# Sutherland Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2022

### Understanding Council's Financial Statements

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#### Introduction

Each year NSW local governments are required to present audited financial statements to their council and community.

#### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2022.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

#### About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

##### 2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

##### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

##### 4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

##### 5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

#### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

#### About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

#### Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

## Sutherland Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2022

### Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17 October 2022.



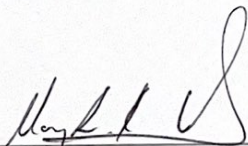
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Councillor Carmelo Pesce  
Mayor  
17 October 2022



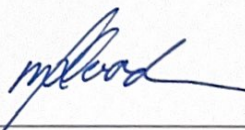
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Councillor Carol Provan  
Deputy Mayor  
17 October 2022



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Mrs Marjeet Grewal  
Chief Executive Officer  
17 October 2022



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Mr Mitchel Woods  
Chief Financial Officer  
17 October 2022

## Sutherland Shire Council

### Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
<b>Income from continuing operations</b>				
179,457	Rates and annual charges	B2-1	<b>180,280</b>	175,855
39,628	User charges and fees	B2-2	<b>35,411</b>	37,833
12,374	Other revenues	B2-3	<b>11,637</b>	12,408
7,926	Grants and contributions provided for operating purposes	B2-4	<b>18,655</b>	14,369
28,810	Grants and contributions provided for capital purposes	B2-4	<b>25,795</b>	26,175
2,024	Interest and investment income	B2-5	<b>2,394</b>	2,524
6,382	Other income	B2-6	<b>5,871</b>	6,453
276,601	<b>Total income from continuing operations</b>		<b>280,043</b>	275,617
<b>Expenses from continuing operations</b>				
113,601	Employee benefits and on-costs	B3-1	<b>104,826</b>	103,825
85,914	Materials and services	B3-2	<b>85,989</b>	80,021
117	Borrowing costs	B3-3	<b>222</b>	217
46,294	Depreciation, amortisation and impairment of non-financial assets	B3-4	<b>49,732</b>	46,701
6,166	Other expenses	B3-5	<b>6,908</b>	6,400
1,861	Net loss from the disposal of assets	B4-1	<b>10,049</b>	5,348
253,953	<b>Total expenses from continuing operations</b>		<b>257,726</b>	242,512
<b>22,648</b>	<b>Operating result from continuing operations</b>		<b>22,317</b>	<b>33,105</b>
<b>22,648</b>	<b>Net operating result for the year attributable to Council</b>		<b>22,317</b>	<b>33,105</b>
(6,162)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(3,478)</b>	6,930

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

## Sutherland Shire Council

### Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	Restated 2021
<b>Net operating result for the year – from Income Statement</b>		<b>22,317</b>	<b>33,105</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<u>162,339</u>	<u>(17,065)</u>
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>162,339</b>	<b>(17,065)</b>
<b>Total other comprehensive income for the year</b>		<b>162,339</b>	<b>(17,065)</b>
<b>Total comprehensive income for the year attributable to Council</b>		<b>184,656</b>	<b>16,040</b>

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

## Sutherland Shire Council

## Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	Restated 2021	Restated 1 July 2020
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	C1-1	25,908	18,645	22,024
Investments	C1-2	233,827	193,270	176,823
Receivables	C1-4	21,111	16,220	15,133
Inventories	C1-5	324	262	251
Non Current assets classified as 'held for sale'		-	-	7,589
Other	C1-9	1,901	2,689	4,580
<b>Total current assets</b>		<b>283,071</b>	<b>231,086</b>	<b>226,400</b>
<b>Non-current assets</b>				
Investments	C1-2	20,000	37,000	12,000
Receivables	C1-4	766	768	951
Infrastructure, property, plant and equipment (IPPE)	C1-6	2,764,057	2,594,747	2,613,002
Investment property	C1-7	83,655	81,855	80,015
Intangible assets	C1-8	-	122	-
Right of use assets	C2-1	4,599	5,480	5,312
<b>Total non-current assets</b>		<b>2,873,077</b>	<b>2,719,972</b>	<b>2,711,280</b>
<b>Total assets</b>		<b>3,156,148</b>	<b>2,951,058</b>	<b>2,937,680</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	C3-1	30,783	25,944	29,321
Contract liabilities	C3-2	4,619	3,295	2,995
Lease liabilities	C2-1	1,772	2,408	2,237
Borrowings	C3-3	2,007	1,262	1,496
Employee benefit provisions	C3-4	34,779	36,594	36,474
Provisions	C3-5	1,855	2,696	1,409
<b>Total current liabilities</b>		<b>75,815</b>	<b>72,199</b>	<b>73,932</b>
<b>Non-current liabilities</b>				
Lease liabilities	C2-1	2,685	2,878	2,940
Borrowings	C3-3	16,255	398	1,659
Employee benefit provisions	C3-4	740	753	762
Provisions	C3-5	6,259	5,092	4,689
<b>Total non-current liabilities</b>		<b>25,939</b>	<b>9,121</b>	<b>10,050</b>
<b>Total liabilities</b>		<b>101,754</b>	<b>81,320</b>	<b>83,982</b>
<b>Net assets</b>		<b>3,054,394</b>	<b>2,869,738</b>	<b>2,853,698</b>
<b>EQUITY</b>				
Accumulated surplus	C4-1	1,556,359	1,534,042	1,500,937
IPPE revaluation reserve	C4-1	1,498,035	1,335,696	1,352,761
<b>Council equity interest</b>		<b>3,054,394</b>	<b>2,869,738</b>	<b>2,853,698</b>
<b>Total equity</b>		<b>3,054,394</b>	<b>2,869,738</b>	<b>2,853,698</b>

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



## Sutherland Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2022

	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
\$ '000					Restated	Restated	Restated
Opening balance at 1 July		1,534,042	1,335,696	2,869,738	1,484,570	1,352,761	2,837,331
Correction of prior period errors	G4-1	–	–	–	16,367	–	16,367
<b>Restated opening balance</b>		<b>1,534,042</b>	<b>1,335,696</b>	<b>2,869,738</b>	<b>1,500,937</b>	<b>1,352,761</b>	<b>2,853,698</b>
Net operating result for the year		22,317	–	22,317	33,105	–	33,105
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	162,339	162,339	–	(17,065)	(17,065)
<b>Other comprehensive income</b>		<b>–</b>	<b>162,339</b>	<b>162,339</b>	<b>–</b>	<b>(17,065)</b>	<b>(17,065)</b>
<b>Total comprehensive income</b>		<b>22,317</b>	<b>162,339</b>	<b>184,656</b>	<b>33,105</b>	<b>(17,065)</b>	<b>16,040</b>
<b>Closing balance at 30 June</b>		<b>1,556,359</b>	<b>1,498,035</b>	<b>3,054,394</b>	<b>1,534,042</b>	<b>1,335,696</b>	<b>2,869,738</b>

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

## Sutherland Shire Council

## Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
179,315	Rates and annual charges		<b>180,790</b>	176,418
39,681	User charges and fees		<b>33,948</b>	40,827
2,095	Interest received		<b>2,323</b>	2,638
36,206	Grants and contributions		<b>43,326</b>	35,251
–	Bonds, deposits and retentions received		<b>1,828</b>	53
16,895	Other		<b>28,193</b>	25,636
<i>Payments:</i>				
(114,137)	Payments to employees		<b>(106,264)</b>	(106,618)
(59,101)	Payments for materials and services		<b>(99,747)</b>	(94,025)
(105)	Borrowing costs		<b>(220)</b>	(212)
(32,531)	Other		<b>(2,821)</b>	(2,266)
68,318	<b>Net cash flows from operating activities</b>	G1-1	<b>81,356</b>	77,702
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
240,582	Sale of investments		<b>170,000</b>	144,700
–	Proceeds from sale of IPPE		<b>613</b>	9,288
–	Deferred debtors receipts		<b>21</b>	18
<i>Payments:</i>				
(216,076)	Purchase of investments		<b>(194,450)</b>	(186,147)
–	Capitalised expenditure in relation to investment property		<b>(418)</b>	–
(80,491)	Payments for IPPE		<b>(63,821)</b>	(44,838)
(55,985)	<b>Net cash flows from investing activities</b>		<b>(88,055)</b>	(76,979)
<b>Cash flows from financing activities</b>				
<i>Receipts:</i>				
18,256	Proceeds from borrowings		<b>18,260</b>	–
<i>Payments:</i>				
(1,922)	Repayment of borrowings		<b>(1,658)</b>	(1,495)
–	Principal component of lease payments		<b>(2,640)</b>	(2,607)
16,334	<b>Net cash flows from financing activities</b>		<b>13,962</b>	(4,102)
<b>28,667</b>	<b>Net change in cash and cash equivalents</b>		<b>7,263</b>	<b>(3,379)</b>
–	Cash and cash equivalents at beginning of year		<b>18,645</b>	22,024
<b>28,667</b>	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>25,908</b>	<b>18,645</b>
215,538	plus: Investments on hand at end of year	C1-2	<b>253,827</b>	230,270
<b>244,205</b>	<b>Total cash, cash equivalents and investments</b>		<b>279,735</b>	<b>248,915</b>

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

# Sutherland Shire Council

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# Sutherland Shire Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

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These financial statements were authorised for issue by Council on 17 October 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and *Local Government (General) Regulation 2021*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity for the purpose of preparing these financial statements.

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

#### **Historical cost convention**

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

#### **Significant accounting estimates and judgements**

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

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

#### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (ii) estimated fair values of investment properties – refer Note C1-7
- (iii) employee benefit and self insurance provisions – refer Note C3-4
- (iv) self insurance workers compensation and public liability provisions - refer Note C3-5

## A1-1 Basis of preparation (continued)

### **Significant judgements in applying the Council's accounting policies**

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

### **Monies and other assets received by Council**

#### **The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Due to their immaterial value and nature, the following committees, entities and operations have been excluded from consolidation:

- Como School of Arts
- Gymea Community Hall
- Maianbar Community Hall
- Oyster Bay Oval
- Sandy Point Community Hall

#### **The Trust Fund**

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

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

The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

- |                                  |             |
|----------------------------------|-------------|
| • Bushfire Trust                 | \$2,509,362 |
| • State Emergency Services Trust | \$ 2,519    |

### **Goods and Services Tax (GST)**

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

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

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

### **Volunteer services**

One part of the Sutherland Shire Council Community Strategic Plan ("*Our Shire - Towards 2032*"), is the encouragement of volunteering to foster community well-being. Volunteer services are predominantly used as a mechanism to achieve this rather than for any economic gain. The majority of those services volunteered would not be purchased if they were not donated by members of the community.

The major use of volunteer services is in the following areas; Animal Shelter, Bushcare, Hazelhurst Art Gallery, Community Hall Management Committees, and graffiti removal.

## A1-1 Basis of preparation (continued)

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### **New accounting standards and interpretations issued but not yet effective**

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

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

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

### **New accounting standards adopted during the year**

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

### **COVID-19 Impact**

The COVID-19 pandemic, and the related government mandated mitigation measures, continued to have a significant impact on Council's operations throughout the 2021/22 financial year.

These COVID-19 impacts were similar to those which occurred in the 2020/21 financial year, and as a result the year-on-year comparative figures do not illustrate their full influence on the Income Statement.

Despite the challenging economic environment there was no substantial impact on Council's Balance Sheet as overall receivables and the levels of outstanding rates and charges were lower than previous years.

There were however budgetary impacts, with revenue forecasts being written down by \$7.571 million throughout the year as part of the Quarterly Budget Review process. This was offset with the receipt of a Job Retention Allowance Subsidy of \$297k and the reduction in operating expenditure of \$799k. Overall the net impact due to the COVID-19 pandemic was \$6,475 million.

## 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.

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021 Restated
<b>\$ '000</b>										
<b>Functions or activities</b>										
Corporate Support	10,959	12,255	33,913	32,807	(22,954)	(20,552)	80	102	298,911	264,063
Executive Office	–	–	788	744	(788)	(744)	–	–	91	93
Non Divisional	157,601	154,755	62,188	58,064	95,413	96,691	15,989	17,037	–	–
Shire Infrastructure	61,356	70,617	97,357	90,152	(36,001)	(19,535)	15,084	23,087	2,304,640	2,137,026
Shire Planning	18,599	5,949	17,332	17,553	1,267	(11,604)	11,513	(1,218)	343	354
Shire Services	31,528	32,041	46,148	43,192	(14,620)	(11,151)	1,784	1,536	552,163	549,522
<b>Total functions and activities</b>	<b>280,043</b>	<b>275,617</b>	<b>257,726</b>	<b>242,512</b>	<b>22,317</b>	<b>33,105</b>	<b>44,450</b>	<b>40,544</b>	<b>3,156,148</b>	<b>2,951,058</b>



## B1-2 Components of functions or activities

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

### **Executive Office**

Includes the Office of the Chief Executive Officer

### **Corporate Support**

Includes Communication, Engagement & Customer; Corporate Governance; Corporate Strategy; Financial Services; Information Management & Technology; People & Culture and Property.

### **Shire Infrastructure**

Includes Asset Management Services; Building Operations; Civil Operations; Fleet & Logistics; Parks Operations; Project Delivery and Waste Services.

### **Shire Planning**

Includes Development Assessment; Environmental Health; Environmental Science; Strategic Planning and Traffic & Public Domain Services.

### **Shire Services**

Includes Business & Community; Childrens Services; Events & Performing Arts; Hazelhurst Regional Art Gallery; Public Safety & Lifeguards; Library Services and Sports & Leisure Services;

### **Non Divisional**

Includes rating revenue; investment interest; Financial Assistance Grants; contributions paid to other levels of government and depreciation.

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2022	2021
<b>Ordinary rates</b>		
Residential	121,328	117,638
Business	18,324	17,756
Less: pensioner rebates (mandatory)	(2,199)	(2,257)
Less: pensioner rebates (Council policy)	(904)	(931)
<b>Rates levied to ratepayers</b>	<b>136,549</b>	<b>132,206</b>
Pensioner rate subsidies received	1,206	1,245
<b>Total ordinary rates</b>	<b>137,755</b>	<b>133,451</b>
<b>Special rates</b>		
Cronulla Beach CBD <sup>1</sup>	-	302
<b>Rates levied to ratepayers</b>	<b>-</b>	<b>302</b>
<b>Total special rates</b>	<b>-</b>	<b>302</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	40,991	40,614
Stormwater management services	2,135	2,122
Section 611 charges	67	71
Less: pensioner rebates (mandatory)	(781)	(815)
Less: pensioner rebates (Council policy)	(320)	(335)
<b>Annual charges levied</b>	<b>42,092</b>	<b>41,657</b>
Pensioner subsidies received:		
– Domestic waste management	433	445
<b>Total annual charges</b>	<b>42,525</b>	<b>42,102</b>
<b>Total rates and annual charges</b>	<b>180,280</b>	<b>175,855</b>

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 Cronulla CBD Special Rate has been discontinued.

## B2-2 User charges and fees

\$ '000	Timing	2022	2021
<b>Specific user charges</b>			
Waste management services (non-domestic)	1	1,523	1,511
<b>Total specific user charges</b>		<b>1,523</b>	<b>1,511</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building control	2	2,422	2,649
Companion animal lifetime registrations	2	212	329
Regulatory & statutory fees	2	1,843	1,796
Other	2	419	402
<b>Total fees and charges – statutory/regulatory</b>		<b>4,896</b>	<b>5,176</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Art and cultural activities	1	469	316
Beach control	1	32	66
Administration and inspection – health	2	202	138
Building control	2	1,954	1,786
Child care centres	1	13,913	15,057
Community venues	2	784	1,039
Development frontages	2	43	180
Family day care	1	186	408
Leisure centres	1	5,766	5,808
Libraries	2	71	95
Other family and children	1	15	47
Parks and gardens	2	16	15
Restoration charges	2	331	762
Roads and engineering approvals	2	1,288	1,397
Sport and recreational facilities	2	3,824	3,888
Other	2	98	144
<b>Total fees and charges – other</b>		<b>28,992</b>	<b>31,146</b>
<b>Total other user charges and fees</b>		<b>33,888</b>	<b>36,322</b>
<b>Total user charges and fees</b>		<b>35,411</b>	<b>37,833</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		21,905	23,213
User charges and fees recognised at a point in time (2)		13,506	14,620
<b>Total user charges and fees</b>		<b>35,411</b>	<b>37,833</b>

### 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 or in some cases, the customer is required to pay on arrival or a deposit in advance. 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.

## B2-3 Other revenues

\$ '000	Timing	2022	2021
Art Gallery merchandise	2	118	126
Bus shelter advertising	1	809	800
Casual leasing - events	2	56	80
Commissions and agency fees	2	129	167
Container deposit scheme	2	442	599
Diesel rebate	2	226	401
Ex gratia rates	2	84	82
Fines	2	6,471	5,891
Insurance claims recoveries	2	129	301
Rental income (non investment properties)	1	1,590	1,810
Legal fees recovery – rates and charges	2	198	312
Legal fees recovery – other	2	109	142
Lucas Heights additional tonnage	1	525	449
Recycling income (non-domestic)	1	53	70
Reimbursements	1	54	294
Sponsorships	2	77	43
Sales – general	1	214	385
Sales – plant nursery	1	220	234
Other	2	133	222
<b>Total other revenue</b>		<b>11,637</b>	<b>12,408</b>

### Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	3,679	4,042
Other revenue recognised at a point in time (2)	7,958	8,366
<b>Total other revenue</b>	<b>11,637</b>	<b>12,408</b>

### 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
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial Assistance Grant – general component	2	2,629	2,284	–	–
Financial Assistance Grant – local roads component	2	1,105	1,004	–	–
<b>Payment in advance - future year allocation <sup>1</sup></b>					
Financial Assistance Grant – general component	2	4,035	2,443	–	–
Financial Assistance Grant – local roads component	2	1,707	1,078	–	–
<b>Amount recognised as income during current year</b>		<b>9,476</b>	<b>6,809</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
Child care	2	521	607	–	–
Contributions to works	2	262	48	18	625
Cronulla Wastewater Reuse Scheme	2	213	207	–	–
Cultural services	2	30	–	–	–
Emergency services	2	1,281	1,005	30	–
Engineering and works	2	43	24	6,929	4,278
LED lighting Accelerated Replacement	2	–	14	–	–
Library – per capita	2	672	644	–	–
Lucas Heights Resource Recovery Park	2	–	–	5,367	5,211
Other contributions	2	307	100	1	22
Other specific grants	2	905	691	462	346
Parks and gardens	2	232	1,147	–	7
Port Hacking River channel dredging	2	625	–	–	–
Roads & Maritime Services (RMS) works	2	1,249	566	486	1,118
Sporting grounds	2	–	–	530	58
Storm/flood damage	2	1,085	–	–	–
Street lighting	2	391	391	–	–
Transport (other roads and bridges funding)	2	131	154	–	–
Transport (roads to recovery)	2	934	1,737	–	–
Waste and sustainability	2	223	225	–	–
Waterways	2	75	–	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>9,179</b>	<b>7,560</b>	<b>13,823</b>	<b>11,665</b>

## B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
<b>Non-cash contributions</b>					
Asset Dedications – subdivisions (other than by s7.11)	2	–	–	730	5,294
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>730</b>	<b>5,294</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>9,179</b>	<b>7,560</b>	<b>14,553</b>	<b>16,959</b>
<b>Total grants and non-developer contributions</b>		<b>18,655</b>	<b>14,369</b>	<b>14,553</b>	<b>16,959</b>
<b>Comprising:</b>					
– Commonwealth funding		10,666	8,857	4,554	4,246
– State funding		7,475	4,937	3,789	1,464
– Other funding		514	575	6,210	11,249
		<b>18,655</b>	<b>14,369</b>	<b>14,553</b>	<b>16,959</b>

(1) \$5.741m of the 2022 – 2023 Financial Assistance Grant from the Commonwealth Government was received in April 2022 and hence is reported as 2021 – 2022 income although it relates to 2022 – 2023 financial year.

## Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		2	–	–	3,447	3,254
S 7.12 – fixed development consent levies		2	–	–	7,795	4,562
Woolooware Bay VPA		2	–	–	–	1,400
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>11,242</b>	<b>9,216</b>
<b>Total developer contributions</b>			<b>–</b>	<b>–</b>	<b>11,242</b>	<b>9,216</b>
<b>Total contributions</b>			<b>–</b>	<b>–</b>	<b>11,242</b>	<b>9,216</b>
<b>Total grants and contributions</b>			<b>18,655</b>	<b>14,369</b>	<b>25,795</b>	<b>26,175</b>
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			18,655	14,369	25,795	26,175
<b>Total grants and contributions</b>			<b>18,655</b>	<b>14,369</b>	<b>25,795</b>	<b>26,175</b>

## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	3,030	1,835	3,813	110
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	2,535	2,045	3,929	3,813
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	(799)	(850)	(3,343)	(110)
<b>Unspent funds at 30 June</b>	<b>4,766</b>	<b>3,030</b>	<b>4,399</b>	<b>3,813</b>
<b>Contributions</b>				
Unspent funds at 1 July	-	-	80,584	78,827
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	-	-	17,614	16,090
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	-	-	(11,940)	(14,333)
<b>Unspent contributions at 30 June</b>	<b>-</b>	<b>-</b>	<b>86,258</b>	<b>80,584</b>

## B2-4 Grants and contributions (continued)

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### 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. 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).

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

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

#### Other grants and contributions

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

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



## B2-5 Interest and investment income

\$ '000	2022	2021
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges	478	134
– Cash and investments	1,914	2,389
Long Term Debtors	2	1
<b>Total interest and investment income (losses)</b>	<b>2,394</b>	<b>2,524</b>

### Accounting policy

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

### Interest on Overdue Rates and Annual Charges

On 16 April 2021, the NSW Minister for Local Government set the maximum interest rate for overdue rates and charges at 6% for the period 1 July 2021 to 30 June 2022.

## B2-6 Other income

\$ '000	Notes	2022	2021
<b>Fair value increment on investment properties</b>			
Fair value increment on investment properties		1,382	1,840
<b>Total fair value increment on investment properties</b>	C1-7	<b>1,382</b>	<b>1,840</b>
<b>Fair value increment on investments</b>			
Fair value Adjustments Floating Rate Notes		–	147
<b>Total Fair value increment on investments</b>		<b>–</b>	<b>147</b>
<b>Rental income</b>			
<b>Investment properties</b>			
Lease income (excluding variable lease payments not dependent on an index or rate)		4,489	4,466
<b>Total Investment properties</b>		<b>4,489</b>	<b>4,466</b>
Total rental income	C2-2	4,489	4,466
<b>Total other income</b>		<b>5,871</b>	<b>6,453</b>

## B3 Costs of providing services

### B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	93,618	90,083
Employee termination costs – redundancies	359	193
Employee leave entitlements (ELE)	2,829	5,496
Superannuation	9,972	8,683
Workers' compensation insurance	3,397	3,636
Fringe benefit tax (FBT)	16	3
Protective clothing	233	260
<b>Total employee costs</b>	<b>110,424</b>	<b>108,354</b>
Less: capitalised costs	(5,598)	(4,529)
<b>Total employee costs expensed</b>	<b>104,826</b>	<b>103,825</b>

#### Accounting policy

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

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.

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

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

Council is a self insurer for Workers Compensation purposes.

## B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		32,419	30,024
Consultancy costs		3,613	2,205
Contractor costs		22,355	19,797
Advertising		336	367
Animal shelter expenses		111	118
Artist fees – Hazelhurst		292	408
Audit Fees	F2-1	341	354
Bank charges		465	450
Councillor and Mayoral fees and associated expenses	F1-2	587	575
Entertainment hire / service		537	262
Hire of plant, vehicles and equipment		443	365
Insurance premiums and claims		2,310	2,448
Labour hire		5,297	4,451
Legal expenses - debt recovery		194	316
Legal expenses - other		387	370
Legal expenses - planning and development		165	99
Office expenses		787	757
Other expenses		346	737
Leases of low value assets		123	–
Postage		420	405
Printing and stationery		236	225
Property management		256	255
Refund Unexpended Grants		13	13
Rental payments (lease term expired)		1,127	1,749
Revenue NSW - Fine Processing		646	638
Software & IT Licences		3,239	2,867
Sponsorships		6	2
Street lighting		2,958	3,333
Subscriptions and publications		819	788
Training costs (other than salaries and wages)		556	577
Telephone and communications		939	1,134
Travel expenses		8	44
Utilities – electricity		1,601	1,638
Utilities – gas		540	745
Utilities – water		927	974
Valuation fees – rates		381	377
Valuation fees – other		76	18
Vehicle registration		133	136
<b>Total materials and services</b>		<b>85,989</b>	<b>80,021</b>
<b>Total materials and services</b>		<b>85,989</b>	<b>80,021</b>

### Accounting policy

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

### B3-3 Borrowing costs

\$ '000	2022	2021
<b>Interest bearing liability costs</b>		
Interest on loans	245	89
Interest on leases	132	128
<b>Total interest bearing liability costs</b>	<b>377</b>	<b>217</b>
Less: capitalised costs	(155)	–
<b>Total interest bearing liability costs expensed</b>	<b>222</b>	<b>217</b>
<b>Total borrowing costs expensed</b>	<b>222</b>	<b>217</b>

#### 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. Other borrowing costs are expensed as incurred.

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

\$ '000	Notes	2022	2021
<b>Depreciation and amortisation</b>			
Plant and equipment		1,342	1,259
Office equipment		54	64
Furniture and fittings		43	42
<b>Infrastructure:</b>	C1-6		
– Buildings		10,168	7,503
– Roads		13,357	13,233
– Bridges		116	115
– Footpaths		1,017	967
– Stormwater drainage		9,253	9,243
– Swimming pools		494	747
– Other open space/recreational assets		9,434	9,230
– Other infrastructure		733	731
<b>Other assets:</b>			
– Library books		1,029	993
Right of use assets	C2-1	2,692	2,548
<b>Total gross depreciation and amortisation costs</b>		<b>49,732</b>	<b>46,675</b>
<b>Impairment / revaluation decrement of IPPE</b>			
Intangible assets	C1-8	–	26
<b>Total gross IPPE impairment / revaluation decrement costs</b>		<b>–</b>	<b>26</b>
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	26
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>49,732</b>	<b>46,701</b>

### 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.

#### Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because 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 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). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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	Notes	2022	2021
<b>Impairment of receivables</b>			
Rates and debtors		83	17
<b>Total impairment of receivables</b>	C1-4	<b>83</b>	<b>17</b>
<b>Fair value decrement on investments</b>			
Fair value decrement on investments through profit and loss		893	–
<b>Total Fair value decrement on investments</b>	C1-2	<b>893</b>	<b>–</b>
<b>Other</b>			
Contributions/levies to other levels of government			
– Department of Planning		459	452
– NSW Fire and Rescue		3,082	3,389
– NSW Rural Fire Service		850	1,164
– NSW State Emergency Services		338	443
Donations, contributions and assistance to other organisations (Section 356)		1,203	935
<b>Total other</b>		<b>5,932</b>	<b>6,383</b>
<b>Total other expenses</b>		<b>6,908</b>	<b>6,400</b>

### Accounting policy

Impairment expenses are recognised when identified.

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

## B4 Gains or losses

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

\$ '000	Notes	2022	2021
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Proceeds from disposal – property		245	9
Less: carrying amount of property assets sold/written off		(200)	(404)
<b>Gain (or loss) on disposal</b>		<b>45</b>	<b>(395)</b>
<b>Gain (or loss) on disposal of plant and equipment</b>			
	C1-6		
Proceeds from disposal – plant and equipment		368	1,154
Less: carrying amount of plant and equipment assets sold/written off		(227)	(735)
<b>Gain (or loss) on disposal</b>		<b>141</b>	<b>419</b>
<b>Gain (or loss) on disposal of infrastructure</b>			
	C1-6		
Less: carrying amount of infrastructure assets written off		(10,113)	(5,908)
<b>Gain (or loss) on disposal</b>		<b>(10,113)</b>	<b>(5,908)</b>
<b>Gain (or loss) on disposal of investments</b>			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		170,000	144,700
Less: carrying amount of investments sold/redeemed/matured		(170,000)	(144,700)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Gain (or loss) on disposal of non-current assets classified as 'held for sale'</b>			
Proceeds from disposal – non-current assets 'held for sale'		–	8,125
Less: carrying amount of 'held for sale' assets sold/written off		–	(7,589)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>536</b>
<b>Gain (or loss) on disposal of intangible assets</b>			
	C1-8		
Proceeds from disposal – intangible assets		(122)	–
<b>Gain (or loss) on disposal</b>		<b>(122)</b>	<b>–</b>
<b>Net gain (or loss) from disposal of assets</b>		<b>(10,049)</b>	<b>(5,348)</b>

#### Accounting policy

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

## B5 Performance against budget

### B5-1 Material budget variations

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

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

The 2021/22 Original Budget was amended on four (4) occasions:

- 2020/21 Funding Continuation: COR027-21 (26/07/2021)
- Quarterly Budget Review - September 2021: GOV040-21 (22/11/2021)
- Quarterly Budget Review - December 2021: COR025-22 (21/02/2022)
- Quarterly Budget Review - March 2022: GOV010-22 (23/05/2022)

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 -----	
<b>Revenues</b>				
<b>Rates and annual charges</b>	179,457	180,280	823	0% <b>F</b>
<b>User charges and fees</b>	39,628	35,411	(4,217)	(11)% <b>U</b>
This variation was caused by the enforcement of Public Health Orders implemented to restrict the Delta strain of COVID-19. The closure of Council's Leisure & Sports Facilities resulted in a write-down variation of \$4.6M.				
<b>Other revenues</b>	12,374	11,637	(737)	(6)% <b>U</b>
<b>Operating grants and contributions</b>	7,926	18,655	10,729	135% <b>F</b>
Unconfirmed operating grants and contributions are not included in Council's Original Budget and are incorporated through a Quarterly Budget Review when they are received or when a funding agreement has been entered in to.				
Operating grants and contributions received or obtained throughout the financial year totalled \$18.7M and were in the areas of waste management, bushcare, land use planning, development assessment and children services.				
75% of the 2022/23 Financial Assistance Grant was also received in advance during the financial year totalling \$5.7M.				
In addition to this, Council received a \$1.0M recovery grant from the NSW Government in response to the storm and floods in February.				
<b>Capital grants and contributions</b>	28,810	25,795	(3,015)	(10)% <b>U</b>
Unconfirmed capital grants and contributions (including asset dedications) are not included in Council's Original Budget and are incorporated through a Quarterly Budget Review when they are received or when a funding agreement has been entered in to.				
Capital grants and contributions received or obtained throughout the financial year totalled \$25.8M and were in the areas of road asset projects, voluntary planning contributions, and open space assets.				
<b>Interest and investment revenue</b>	2,024	2,394	370	18% <b>F</b>
This variation was a result of increasing interest rates combined with sustained high levels of cash. These impacts were incorporated through Quarterly Budget Reviews during the financial year.				
<b>Other income</b>	6,382	5,871	(511)	(8)% <b>U</b>



## B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
<b>Expenses</b>				
<b>Employee benefits and on-costs</b>	113,601	104,826	8,775	8% <b>F</b>
<b>Materials and services</b>	85,914	85,989	(75)	0% <b>U</b>
<b>Borrowing costs</b>	117	222	(105)	(90)% <b>U</b>
This variation was a result of the accounting treatment changes required under the implementation of <i>AASB16 Leases</i> . Whilst lease related expenditure was included in the Original Budget, the accounting treatment changes were not reflected as 'Borrowing Costs' until they were reclassified through a Quarterly Budget Review during the financial year.				
In addition, Council paid \$0.05M interest on an external loan which had been entirely classified as 'Capital' in the Original Budget, however a portion was reclassified as 'operating' in accordance with accounting standards.				
<b>Depreciation, amortisation and impairment of non-financial assets</b>	46,294	49,732	(3,438)	(7)% <b>U</b>
This variation in depreciation expenses was the result of a \$3.2 million depreciation increase in Council's building assets which were revalued as at 30 June 2021. The revaluation resulted in greater componentisation with lower useful lives than the previous 75 year standard. This was not reflected in the original budget.				
<b>Other expenses</b>	6,166	6,908	(742)	(12)% <b>U</b>
This variance relates to the decrement in Fair Value of Councils' Floating Rate Note investments \$0.89M. These movements are not incorporated in the Original Budget.				
<b>Net losses from disposal of assets</b>	1,861	10,049	(8,188)	(440)% <b>U</b>
This variation is the result of the under-estimation of the loss related to the disposal of Infrastructure assets being renewed under Council's Asset Renewal Program. The full extent of this impact was not reflected in the adopted Original Budget and as the maturity level of Council's asset management planning continues to increase, these loss on disposals will be better identified and included in budget estimates.				

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2022	2021
<b>Cash assets</b>		
Cash at Bank <sup>1</sup>	368	265
Cash equivalent assets		
– Deposits at call	25,540	18,380
<b>Total cash and cash equivalents</b>	<b>25,908</b>	<b>18,645</b>

(1) Council does not hold any cash on hand

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	25,908	18,645
<b>Balance as per the Statement of Cash Flows</b>	<b>25,908</b>	<b>18,645</b>

#### Accounting policy

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

## C1-2 Financial investments

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
<b>Financial assets at fair value through the profit and loss</b>				
Floating Rate Notes	45,595	–	44,020	–
Fixed Rate Bonds	4,232	–	4,250	–
<b>Total</b>	<b>49,827</b>	<b>–</b>	<b>48,270</b>	<b>–</b>
<b>Debt securities at amortised cost</b>				
Term Deposits	184,000	20,000	145,000	37,000
<b>Total</b>	<b>184,000</b>	<b>20,000</b>	<b>145,000</b>	<b>37,000</b>
<b>Total financial investments</b>	<b>233,827</b>	<b>20,000</b>	<b>193,270</b>	<b>37,000</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>259,735</b>	<b>20,000</b>	<b>211,915</b>	<b>37,000</b>

### 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).

### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

### Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

### Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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

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

### Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

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

Council's financial assets measured at fair value through profit or loss comprise investments in Floating Rate Notes and Fixed Rate Bonds in the Statement of Financial Position.

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
<b>Total cash, cash equivalents and investments</b>	<b>279,735</b>	248,915
Less: Externally restricted cash, cash equivalents and investments	<u>(150,094)</u>	<u>(140,470)</u>
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>129,641</b>	108,445

### External restrictions

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

### External restrictions

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

Developer Contributions <sup>1</sup>	70,903	65,091
Domestic waste management <sup>2</sup>	45,364	43,311
Stormwater management <sup>3</sup>	3,755	3,141
Cronulla CBD Special Rate <sup>4</sup>	1,514	2,447
Unexpended Specific Purpose Grants / Contributions to Works <sup>5</sup>	9,894	7,530
Lucas Heights Resource Recovery Park VPA <sup>6</sup>	13,955	14,093
Australand Wetland VPA <sup>7</sup>	2,959	3,018
Kirrawee South Village VPA <sup>8</sup>	350	439
Woolooware Bay VPA <sup>9</sup>	1,400	1,400
<b>External restrictions – other</b>	<b>150,094</b>	140,470
<b>Total external restrictions</b>	<b>150,094</b>	140,470

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

- (1) Development contributions which are not yet expended for the provision of infrastructure in accordance with adopted contribution plans
- (2) Domestic Waste Management Charges (DWMC) are externally restricted and must be applied for the purpose for which they were raised
- (3) Stormwater Management Charges are externally restricted and must be applied for the purpose for which they were raised
- (4) Special Rates are externally restricted funds and must be applied for the purpose for which they were raised
- (5) Grants and Contributions which are not yet expended for the purpose for which the grants were obtained and contributions were received
- (6) Monies from a Voluntary Planning Agreement with Cleanaway
- (7) Monies from a Deed of Agreement with Breen Holdings
- (8) Monies from a Voluntary Planning Agreement with South Village
- (9) Monies from a Voluntary Planning Agreement for Woolooware Bay Town Centre

\$ '000	2022	2021
(b) Internal allocations		
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>129,641</b>	108,445
Less: Internally restricted cash, cash equivalents and investments	<u>(91,162)</u>	<u>(87,912)</u>
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>38,479</b>	20,533

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

\$ '000	2022	2021
<b>Internal allocations</b>		
At 30 June, Council has internally allocated funds to the following:		
<b>Operational</b>		
- Security Bonds, Deposits & Retentions <sup>10</sup>	18,209	16,494
- Employee Leave Entitlements <sup>11</sup>	8,685	9,021
- Prepaid Financial Assistance Grant <sup>12</sup>	5,741	3,521
- Sporting Facilities Development Fund <sup>13</sup>	931	908
- Sylvania Waters Dredging <sup>14</sup>	1,500	1,000
- SSHED Business Accelerator <sup>15</sup>	70	70
- Elections <sup>16</sup>	553	1,289
<b>Capital</b>		
- Child Care Centres - Asset Renewal Fund <sup>17</sup>	4,608	4,910
- Cronulla Wastewater Reuse Scheme - Asset Renewal Fund <sup>18</sup>	204	190
- Cronulla Town Centre Refurbishment Project <sup>19</sup>	5,756	5,756
- Capital Works in Progress <sup>20</sup>	3,777	2,338
- Anzac Youth and Recreation Centre Funds <sup>21</sup>	-	40
- Tennis Facilities <sup>22</sup>	-	64
<b>Strategy Funds</b>		
- Property Strategy Reserve <sup>23</sup>	8,666	8,749
- CleanClimateCouncil Strategy Reserve <sup>24</sup>	4,851	4,942
- Leisure Strategy Reserve <sup>25</sup>	2,292	2,068
- ICT Strategy Reserve <sup>26</sup>	7,390	7,500
- Library Strategy Reserve <sup>27</sup>	1,013	1,264
- Community Venues Strategy Reserve <sup>28</sup>	624	339
- Capital Works Reserve <sup>30</sup>	7,831	7,692
- Future Budgets Reserve <sup>31</sup>	6,848	7,910
- Informing Strategies <sup>32</sup>	1,613	1,847
<b>Total internal allocations</b>	<b>91,162</b>	<b>87,912</b>

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

(10) 100% of security bonds, deposits & retentions payable by Council (as per Note C3-1)

(11) 100% of leave entitlements of employees aged 60 years and older.

(12) Prepayment of the Financial Assistance Grant (as per Note B2-4)

(13) Funds associated with the 'Sporting Facilities Development Fund', established for the purpose of providing sporting groups low interest loans for the development of sporting facilities within the Shire (MM04/14-15)

(14) Reserve established to fund the future obligations for Sylvania Waters canal dredging

(15) Sinking Fund for the renewal and/or upgrade of the building. Contributed equally by Council and the University of Wollongong

(16) An amount is set aside each year for 4 years to raise sufficient funds for the quadrennial Council elections

(17) Funds used for the renewal of Child Care Centre assets.

(18) Funds used for the renewal of the Cronulla Wastewater Reuse Scheme asset.

(19) Funds identified for exclusive use on the Cronulla Town Centre Refurbishment Project.

(20) General Revenue funded capital works projects in progress from previous financial years.

(21) Exhausted funds reserved for renewal and maintenance works on the Anzac Youth & Recreation Centre.

(22) Exhausted funds reserved for renewal works on Tennis facilities assets.

(23) Funds identified to fund the implementation of Council's adopted Property Strategy (formerly named Property Fund).

(24) Funds identified to fund the implementation of Council's future CleanClimateCouncil Strategy (formerly named Energy Audit Upgrade)

(25) Funds identified to fund the implementation of Council's future Leisure Strategy.

continued on next page ...

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

- (26) Funds identified to fund the implementation of Council's adopted Information, Customer & Technology (ICT) Strategy
- (27) Funds identified to fund the implementation of Council's adopted Library Strategy.
- (28) Funds identified to fund the implementation of Council's future Community Venues Strategy.
- (30) Reserve established BDS057-14 to set aside the general revenue component from periodic Capital Capacity Reviews for inclusion in future budgets or for utilisation on other capital works for which the priority has increased
- (31) The surplus funds from previous financial years are reserved to assist in meeting future budget shortfalls or specific project funding
- (32) Council has set aside funds to assist in newly developed informing strategies

<b>\$ '000</b>	<b>2022</b>	2021
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### (c) Unrestricted and unallocated

<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>38,479</b>	20,533
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## C1-4 Receivables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Rates and annual charges	6,797	708	7,103	688
Interest and extra charges	1,174	–	1,103	–
User charges and fees	4,043	–	3,701	–
Lucas Heights Resource Recovery Park	3,261	–	–	–
Accrued interest on investments	872	–	872	–
Loans Receivables - Sporting Groups	19	58	18	80
Fines Receivable	1,260	–	862	–
Government grants and subsidies	2,364	–	1,417	–
Net GST receivable	2,165	–	2,055	–
Other receivables	74	–	76	–
Section 611 Charges	99	–	101	–
<b>Total</b>	<b>22,128</b>	<b>766</b>	<b>17,308</b>	<b>768</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(256)	–	(249)	–
User charges and fees	(761)	–	(839)	–
<b>Total provision for impairment – receivables</b>	<b>(1,017)</b>	<b>–</b>	<b>(1,088)</b>	<b>–</b>
<b>Total net receivables</b>	<b>21,111</b>	<b>766</b>	<b>16,220</b>	<b>768</b>
<b>Externally restricted receivables</b>				
Domestic waste management	1,674	–	1,695	–
Stormwater management	93	–	116	–
Cronulla CBD Special Rate	–	–	1	–
<b>Total external restrictions</b>	<b>1,767</b>	<b>–</b>	<b>1,812</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>19,344</b>	<b>766</b>	<b>14,408</b>	<b>768</b>
<b>Total net receivables</b>	<b>21,111</b>	<b>766</b>	<b>16,220</b>	<b>768</b>
<b>\$ '000</b>			<b>2022</b>	<b>2021</b>
<b>Movement in provision for impairment of receivables</b>				
Balance at the beginning of the year (calculated in accordance with AASB 139)			1,088	872
+ new provisions recognised during the year			333	310
– amounts already provided for and written off this year			(404)	(93)
<b>Balance at the end of the year</b>			<b>1,017</b>	<b>1,089</b>

## C1-4 Receivables (continued)

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### Accounting policy

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

### Impairment

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

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

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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.

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 are subject to enforcement activity.

Rates and annual charges outstanding are secured against the property.



## C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>(i) Inventories at cost</b>				
Stores and materials	324	-	262	-
<b>Total inventories at cost</b>	<b>324</b>	<b>-</b>	<b>262</b>	<b>-</b>
<b>Total inventories</b>	<b>324</b>	<b>-</b>	<b>262</b>	<b>-</b>

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>Total externally restricted assets</b>	-	-	-	-
<b>Total unrestricted assets</b>	<b>324</b>	<b>-</b>	<b>262</b>	<b>-</b>
<b>Total inventories</b>	<b>324</b>	<b>-</b>	<b>262</b>	<b>-</b>

### Accounting policy

#### Raw materials and stores, work in progress and finished goods

Raw materials and stores are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

## C1-6 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 Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated	Additions renewals <sup>1</sup>	Additions new assets	Depreciation expense	Carrying value of disposals	Adjustments and transfers <sub>2</sub>	Tfrs from/(to) investment properties	Revaluation increments /(decrements)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	22,910	–	22,910	<b>32,072</b>	<b>5,555</b>	–	(1,491)	(7,292)	(35)	–	51,719	–	51,719
Furniture and fittings	699	(396)	303	–	49	(43)	–	–	–	–	748	(439)	309
Office equipment	1,312	(877)	435	–	166	(54)	–	–	–	–	1,478	(931)	547
Plant and equipment	17,435	(7,347)	10,088	–	1,097	(1,342)	(227)	291	–	–	18,049	(8,142)	9,907
<b>Land:</b>													
– Community land	214,187	–	214,187	–	286	–	(143)	–	–	–	214,330	–	214,330
– Crown land	84,165	–	84,165	–	–	–	–	–	–	–	84,165	–	84,165
– Land under roads (post 30/6/08)	16,566	–	16,566	–	586	–	–	–	–	–	17,152	–	17,152
– Operational land	228,879	–	228,879	–	570	–	(57)	–	–	–	229,392	–	229,392
<b>Infrastructure:</b>													
– Buildings	457,274	(174,767)	282,507	71	4,470	(10,168)	(4,271)	771	–	14,685	479,627	(191,562)	288,065
– Swimming pools	14,915	(5,689)	9,226	406	24	(494)	–	–	–	487	16,133	(6,484)	9,649
– Roads	1,040,392	(305,260)	735,132	11,128	125	(13,357)	(4,051)	2,634	–	27,920	1,057,124	(297,593)	759,531
– Bridges	15,248	(7,949)	7,299	–	–	(116)	–	–	–	6,855	17,778	(3,740)	14,038
– Footpaths	108,407	(29,185)	79,222	250	1,643	(1,017)	(108)	1,804	–	(10,173)	120,347	(48,726)	71,621
– Bulk earthworks (non-depreciable)	151,478	–	151,478	–	–	–	–	127	–	54,622	206,227	–	206,227
– Other open space/recreational assets	235,518	(57,924)	177,594	2,861	127	(9,434)	(192)	1,488	–	17,013	262,723	(73,266)	189,457
– Other infrastructure	35,905	(8,393)	27,512	–	–	(733)	–	–	–	2,637	39,347	(9,931)	29,416
– Stormwater drainage	909,945	(366,337)	543,608	814	928	(9,253)	–	177	–	48,293	1,053,030	(468,463)	584,567
<b>Other assets:</b>													
– Artworks	137	–	137	–	–	–	–	–	–	–	137	–	137
– Heritage collections	468	–	468	–	15	–	–	–	–	–	483	–	483
– Library books	6,262	(3,231)	3,031	–	1,343	(1,029)	–	–	–	–	7,605	(4,260)	3,345
<b>Total infrastructure, property, plant and equipment</b>	<b>3,562,102</b>	<b>(967,355)</b>	<b>2,594,747</b>	<b>47,602</b>	<b>16,984</b>	<b>(47,040)</b>	<b>(10,540)</b>	<b>–</b>	<b>(35)</b>	<b>162,339</b>	<b>3,877,594</b>	<b>(1,113,537)</b>	<b>2,764,057</b>

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

(2) The transfers balance relates to the capitalised work in progress

## C1-6 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 Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated	Additions renewals <sup>1</sup>	Additions new assets	Depreciation expense	Carrying value of disposals	Adjustments and transfers <sub>2</sub>	Transfers to right of use assets	Revaluation increments /(decrements )	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated
<b>\$ '000</b>													
Capital work in progress	19,282	–	19,282	15,010	1,741	–	(386)	(12,737)	–	–	22,910	–	22,910
Plant and equipment	34,761	(19,076)	15,685	–	1,486	(1,259)	(735)	(5,089)	–	–	17,435	(7,347)	10,088
Office equipment	1,670	(1,172)	498	–	37	(64)	–	(36)	–	–	1,312	(877)	435
Furniture and fittings	9,670	(7,957)	1,713	–	45	(42)	(1)	(1,412)	–	–	699	(396)	303
Plant and equipment (under finance lease)	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Land:</b>													
– Operational land	228,725	–	228,725	–	154	–	–	–	–	–	228,879	–	228,879
– Community land	163,165	–	163,165	–	1,908	–	(284)	6,553	–	42,845	214,187	–	214,187
– Crown land	65,634	–	65,634	–	3,983	–	(102)	13,615	–	1,035	84,165	–	84,165
– Land under roads (post 30/6/08)	16,566	–	16,566	–	–	–	–	–	–	–	16,566	–	16,566
Land improvements – non-depreciable	22,946	–	22,946	–	–	–	–	(20,168)	–	(2,778)	–	–	–
<b>Infrastructure:</b>													
– Buildings	528,190	(187,342)	340,848	3,768	143	(7,503)	(766)	2,522	–	(56,505)	457,274	(174,767)	282,507
– Roads	1,028,780	(293,246)	735,534	17,181	1,138	(13,233)	(4,387)	923	–	(2,024)	1,040,392	(305,260)	735,132
– Bridges	15,206	(7,834)	7,372	42	–	(115)	–	–	–	–	15,248	(7,949)	7,299
– Footpaths	104,252	(28,267)	75,985	1,221	3,118	(967)	(135)	–	–	–	108,407	(29,185)	79,222
– Bulk earthworks (non-depreciable)	151,478	–	151,478	–	–	–	–	–	–	–	151,478	–	151,478
– Stormwater drainage	908,096	(357,094)	551,002	1,542	307	(9,243)	–	–	–	–	909,945	(366,337)	543,608
– Swimming pools	19,645	(13,110)	6,535	9	–	(747)	–	3,053	–	376	14,915	(5,689)	9,226
– Other open space/recreational assets	227,091	(48,754)	178,337	5,468	3,252	(9,230)	(233)	–	–	–	235,518	(57,924)	177,594
– Other infrastructure	35,875	(7,662)	28,213	30	–	(731)	–	–	–	–	35,905	(8,393)	27,512
<b>Other assets:</b>													
– Heritage collections	442	–	442	–	26	–	–	–	–	–	468	–	468
– Library books	6,706	(3,831)	2,875	–	1,149	(993)	–	–	–	–	6,262	(3,231)	3,031
– Artworks	167	–	167	–	–	–	(16)	–	–	(14)	137	–	137
<b>Total infrastructure, property, plant and equipment</b>	<b>3,588,347</b>	<b>(975,345)</b>	<b>2,613,002</b>	<b>44,271</b>	<b>18,487</b>	<b>(44,127)</b>	<b>(7,045)</b>	<b>(12,776)</b>	<b>–</b>	<b>(17,065)</b>	<b>3,562,102</b>	<b>(967,355)</b>	<b>2,594,747</b>

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

(2) The Adjustments and transfers balance relates to a combination of asset additions in relation to the capitalised work in progress and the transfer of software intangibles.

## C1-6 Infrastructure, property, plant and equipment (continued)

### Accounting policy

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

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

During the year the Roads, Bridges, Footpaths and Bulk Earthworks asset classes were revalued. Fair value adjustments were processed for the Buildings, Stormwater Drainage and Other open space/recreational asset classes.

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

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

Land is 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:

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	7-15	Playground equipment	5-30
Furniture & Fittings	15	Benches, seats etc.	30-40
Computer equipment	3-15		
Vehicles	3-7	<b>Other Infrastructure Assets</b>	
Heavy plant/road making equipment	5-8	Bulk earthworks	infinite
Other plant and equipment	2-50	Swimming pools shells	50
		Other open space / recreational assets	5-50
		Other structures	10-100
<b>Transportation assets</b>		Other	10-100
Sealed roads: surface (1)	15-40		
Sealed roads: structure base	50-200	<b>Stormwater assets</b>	
Bridges: foot	8-100	Drains	50-100
Bridges: road	20-100	Culverts	100
Road pavements carparks (2)	15-45	Headwalls	100
Kerb and gutter	60-100	Water quality devices	10-50
Footpaths on roads	50-125	Rehab, Creeks & Wetland Structural work	150
Pathways not on roads	20-100		
Retaining Walls	20-800	<b>Buildings</b>	
(1) Concrete 140 years		Buildings	20-100
(2) Concrete 100 years			

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

## C1-6 Infrastructure, property, plant and equipment (continued)

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### **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. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

### **Crown reserves**

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

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

### **Rural Fire Service assets**

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

However, Council does not make decisions in relation to the purchase, operation, deployment, usage or disposal of these assets and also does not have custody of them. Therefore, Council is of the view that despite the vesting of fire fighting equipment to Council, it does not have 'control' of these assets which is required for them to be recognised in the accounts.

## C1-7 Investment properties

\$ '000	2022	2021
<b>Owned investment property</b>		
Investment Properties - General Fund	76,855	74,955
Investment Properties - Developer Contributions Fund	6,800	6,900
<b>Total owned investment property</b>	<b>83,655</b>	<b>81,855</b>

### Owned investment property

#### At fair value

Opening balance at 1 July	81,855	80,015
Net gain/(loss) from fair value adjustments	1,382	1,840
Transfers from/(to) owner-occupied property (Note C1-8)	35	–
Other movements	383	–
<b>Closing balance at 30 June</b>	<b>83,655</b>	<b>81,855</b>

#### Accounting policy

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as part of other income.

## C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2022	2021
<b>IT development and Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	148	–
Accumulated amortisation	(26)	–
<b>Net book value – opening balance</b>	<b>122</b>	<b>–</b>
<b>Movements for the year</b>		
Other movements	(122)	122
<b>Closing values at 30 June</b>		
Gross book value	–	148
Accumulated amortisation	–	(26)
<b>Total software – net book value</b>	<b>–</b>	<b>122</b>
<b>Total intangible assets – net book value</b>	<b>–</b>	<b>122</b>

### Accounting policy

#### IT development and software

In accordance with *AASB138 Intangible Assets*, Council will expense all costs relating to the implementation of Software as a Service (SaaS) and its subsequent annual subscription.

## C1-9 Other

## Other assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Prepayments	1,901	-	1,500	-
Sale and Leaseback Vehicles	-	-	1,189	-
<b>Total other assets</b>	<b>1,901</b>	<b>-</b>	<b>2,689</b>	<b>-</b>

## Externally restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>Domestic waste management</b>				
Prepayments	300	-	199	-
Sale and Leaseback Vehicles	-	-	480	-
<b>Total domestic waste management</b>	<b>300</b>	<b>-</b>	<b>679</b>	<b>-</b>
Total externally restricted assets	300	-	679	-
Total unrestricted assets	1,601	-	2,010	-
<b>Total other assets</b>	<b>1,901</b>	<b>-</b>	<b>2,689</b>	<b>-</b>



## C2 Leasing activities

### C2-1 Council as a lessee

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

#### Buildings

Council leases a building in Station Street Engadine. The lease is for a three year term. The building is currently subleased under an operating lease to a community group for the permitted use as a community facility (provision of youth services).

The building lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

#### Vehicles and Plant

Council leases vehicles and equipment with lease terms varying from 3 to 5 years; the lease payments are fixed during the lease term and there is generally no renewal option.

#### Office, IT and Gym equipment

Leases for office, IT and gym equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 3 and 5 years with no renewal option, the payments are fixed.

#### (a) Right of use assets

\$ '000	Plant & Equipment	Garbage Trucks	Office equipment	Gym Equipment	Buildings	Motor Vehicles	Total
<b>2022</b>							
Opening balance at 1 July	60	3,540	839	416	54	571	5,480
Additions to right-of-use assets	911	411	–	–	2	487	1,811
Depreciation charge	(190)	(1,665)	(509)	(113)	(48)	(167)	(2,692)
<b>Balance at 30 June</b>	<b>781</b>	<b>2,286</b>	<b>330</b>	<b>303</b>	<b>8</b>	<b>891</b>	<b>4,599</b>
<b>2021</b>							
Opening balance at 1 July	189	3,194	1,297	531	101	–	5,312
Additions to right-of-use assets	–	1,952	153	–	–	611	2,716
Depreciation charge	(129)	(1,606)	(611)	(115)	(47)	(40)	(2,548)
<b>Balance at 30 June</b>	<b>60</b>	<b>3,540</b>	<b>839</b>	<b>416</b>	<b>54</b>	<b>571</b>	<b>5,480</b>

## C2-1 Council as a lessee (continued)

## (b) Lease liabilities

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Buildings	4	–	48	4
Garbage trucks	1,014	1,224	1,559	1,887
Gym equipment	114	170	111	284
Office equipment	246	17	492	263
Motor Vehicles	220	673	125	440
Plant and equipment	174	601	66	–
<b>Total lease liabilities</b>	<b>1,772</b>	<b>2,685</b>	<b>2,408</b>	<b>2,878</b>

## (c) (i) The maturity analysis

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

\$ '000				Total	Total per Statement of Financial Position
	< 1 year	1 – 5 years	> 5 years		
<b>2022</b>					
Cash flows	1,772	2,685	–	4,457	4,457
2021					
Cash flows	2,401	2,878	–	5,279	5,286

## (ii) Lease liabilities relating to restricted assets

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Domestic waste management	1,014	1,224	1,559	1,887
<b>Lease liabilities relating to externally restricted assets</b>	<b>1,014</b>	<b>1,224</b>	<b>1,559</b>	<b>1,887</b>
<b>Total lease liabilities relating to unrestricted assets</b>	<b>758</b>	<b>1,461</b>	<b>849</b>	<b>991</b>
<b>Total lease liabilities</b>	<b>1,772</b>	<b>2,685</b>	<b>2,408</b>	<b>2,878</b>

## (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	132	128
Depreciation of right of use assets	2,692	2,548
Expenses relating to short-term leases	1,127	1,749
Expenses relating to Peppercorn leases	1	1
	<b>3,952</b>	<b>4,426</b>

## C2-1 Council as a lessee (continued)

### (e) Statement of Cash Flows

\$ '000	2022	2021
Total cash outflow for leases	2,768	2,752
	<u>2,768</u>	<u>2,752</u>

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

Council has a number of leases and licences with government entities at significantly below market for land and buildings which are used for purposes including jetties, baths, boat ramps, storage, parking, stormwater drains etc.

These leases range in terms from 1 year to indefinite (no end date) and require payments of a maximum amount of \$3,500 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-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:

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-7)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-6).

\$ '000	2022	2021
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#### (i) Assets held as investment property

The investment properties are commercial properties located in the Sutherland Shire, leased to tenants under long-term operating leases with rentals payable monthly.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	4,489	4,466
<b>Total income relating to operating leases for investment property assets</b>	<b>4,489</b>	<b>4,466</b>

#### Operating lease expenses

Direct operating expenses that did not generate rental income	214	196
<b>Total expenses relating to operating leases</b>	<b>214</b>	<b>196</b>

#### Repairs and maintenance: investment property

Other	8	10
<b>Total repairs and maintenance: investment property</b>	<b>8</b>	<b>10</b>

#### (ii) 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	4,203	4,170
1–2 years	2,471	1,896
2–3 years	2,170	1,744
3–4 years	1,711	1,737
4–5 years	1,663	1,693
> 5 years	92,576	93,003
<b>Total undiscounted lease payments to be received</b>	<b>104,794</b>	<b>104,243</b>

### Accounting policy

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

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

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

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

## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Prepaid rates	2,006	–	1,789	–
Goods and services	4,804	–	4,152	–
Accrued expenses:				
– Borrowings	17	–	15	–
– Salaries and wages	1,492	–	1,102	–
– Other expenditure accruals	3,054	–	1,023	–
Advances	77	–	324	–
Security bonds, deposits and retentions	18,395	–	16,567	–
Superannuation	938	–	972	–
<b>Total payables</b>	<b>30,783</b>	<b>–</b>	<b>25,944</b>	<b>–</b>

#### Payables relating to restricted assets

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Domestic waste management	1,430	–	797	–
Payables relating to externally restricted assets	1,430	–	797	–
<b>Internally restricted assets</b>				
Security bonds, deposits and retentions	18,209	–	16,494	–
Payables relating to internally restricted assets	18,209	–	16,494	–
<b>Total payables relating to restricted assets</b>	<b>19,639</b>	<b>–</b>	<b>17,291</b>	<b>–</b>
<b>Total payables relating to unrestricted assets</b>	<b>11,144</b>	<b>–</b>	<b>8,653</b>	<b>–</b>
<b>Total payables</b>	<b>30,783</b>	<b>–</b>	<b>25,944</b>	<b>–</b>

#### 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		12,596		10,936
<b>Total payables</b>		<b>12,596</b>		<b>10,936</b>

#### Accounting policy

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

#### Payables

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

## C3-2 Contract Liabilities

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>Grants received in advance:</b>				
Unexpended capital grants (to construct Council controlled assets) <sup>1</sup>	314	-	-	-
<b>Total grants received in advance</b>	<b>314</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>User fees and charges received in advance:</b>				
Child care	297	-	317	-
Development fees	1,000	-	659	-
Facility bookings	1,337	-	936	-
Hazelhurst gallery workshops	172	-	114	-
Leisure centre memberships <sup>2</sup>	511	-	394	-
Property rentals	857	-	818	-
Other	131	-	57	-
<b>Total user fees and charges received in advance</b>	<b>4,305</b>	<b>-</b>	<b>3,295</b>	<b>-</b>
<b>Total contract liabilities</b>	<b>4,619</b>	<b>-</b>	<b>3,295</b>	<b>-</b>

(1) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

(2) Upfront membership fees for the leisure centre do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected average membership life.

### Accounting policy

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

## C3-3 Borrowings

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Loans – secured <sup>1</sup>	2,007	16,255	1,262	398
<b>Total borrowings</b>	<b>2,007</b>	<b>16,255</b>	<b>1,262</b>	<b>398</b>

(1) Loans are secured over the general rating income of Council.

### (a) Changes in liabilities arising from financing activities

\$ '000	2021	Cash flows	2022
	Opening Balance		Closing balance
Loans – secured	1,660	16,602	18,262
Lease liability (Note C2-1b)	5,286	(829)	4,457
<b>Total liabilities from financing activities</b>	<b>6,946</b>	<b>15,773</b>	<b>22,719</b>

\$ '000	2020	Cash flows	2021
	Opening Balance		Closing balance
Loans – secured	3,155	(1,495)	1,660
Lease liability (Note C2-1b)	5,177	109	5,286
<b>Total liabilities from financing activities</b>	<b>8,332</b>	<b>(1,386)</b>	<b>6,946</b>

### (b) Financing arrangements

\$ '000	2022	2021
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	750	750
Credit cards/purchase cards	120	120
<b>Total financing arrangements</b>	<b>870</b>	<b>870</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	750	750
– Credit cards/purchase cards	75	75
<b>Total undrawn financing arrangements</b>	<b>825</b>	<b>825</b>

### Additional financing arrangements information

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

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

### C3-4 Employee benefit provisions

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Annual leave	13,408	–	12,673	–
Sick leave	1,356	–	1,587	–
Long service leave	19,510	740	21,449	753
Gratuities	505	–	885	–
<b>Total employee benefit provisions</b>	<b>34,779</b>	<b>740</b>	<b>36,594</b>	<b>753</b>

#### Employee benefit provisions relating to restricted assets

##### Externally restricted assets

Domestic Waste Management	2,126	–	2,134	–
<b>Total employee benefit provisions relating to restricted assets</b>	<b>2,126</b>	<b>–</b>	<b>2,134</b>	<b>–</b>
<b>Total employee benefit provisions relating to unrestricted assets</b>	<b>32,653</b>	<b>740</b>	<b>34,460</b>	<b>753</b>
<b>Total employee benefit provisions</b>	<b>34,779</b>	<b>740</b>	<b>36,594</b>	<b>753</b>

#### (b) Current provisions not anticipated to be settled within the next twelve months

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employee benefits	21,215	23,338
	<b>21,215</b>	<b>23,338</b>

#### 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 and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.



## C3-5 Provisions

\$ '000	2022	2022	2021	2021
	Current	Non-Current	Current	Non-Current
<b>Other provisions</b>				
Self insurance – workers compensation	1,588	5,977	2,251	5,041
Self insurance – public liability	267	282	445	51
<b>Sub-total – other provisions</b>	<b>1,855</b>	<b>6,259</b>	<b>2,696</b>	<b>5,092</b>
<b>Total provisions</b>	<b>1,855</b>	<b>6,259</b>	<b>2,696</b>	<b>5,092</b>

## Provisions relating to restricted assets

<b>Externally restricted assets</b>				
Domestic waste management	265	971	68	54
<b>Total provisions relating to restricted assets</b>	<b>265</b>	<b>971</b>	<b>68</b>	<b>54</b>
<b>Total provisions relating to unrestricted assets</b>	<b>1,590</b>	<b>5,288</b>	<b>2,628</b>	<b>5,038</b>
<b>Total provisions</b>	<b>1,855</b>	<b>6,259</b>	<b>2,696</b>	<b>5,092</b>

## Description of and movements in provisions

\$ '000	Other provisions	
	Self insurance	Total
<b>2022</b>		
At beginning of year	7,788	7,788
Additional provisions	841	841
Amounts used (payments)	(515)	(515)
Total other provisions at end of year	<b>8,114</b>	<b>8,114</b>
<b>2021</b>		
At beginning of year	6,098	6,098
Additional provisions	1,690	1,690
Total other provisions at end of year	<b>7,788</b>	<b>7,788</b>

## C3-5 Provisions (continued)

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### Nature and purpose of provisions

#### Self Insurance - Workers Compensation

Sutherland Shire Council is a self insurer in relation to Workers Compensation. As a result the provision represents claims incurred but not yet reported and also claims which have been reported and assessed.

The Self Insurance Workers Compensation provision was calculated by David A. Zaman Pty Ltd (Member of Institute of Actuaries Australia) as at 30 June 2022.

#### Self-insurance - Public Liability

To recognise liabilities for outstanding claims (uninsured losses) arising from Council's decision to undertake self-insurance for certain risks faced.

### Accounting policy

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

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

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

## C4 Reserves

### C4-1 Nature and purpose of reserves

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#### IPPE Revaluation reserve

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

## D Council structure

### D1 Results by fund

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Council has no **Section D – Council Structure** disclosures.

## E Risks and accounting uncertainties

### E1-1 Risks relating to financial instruments held

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. The Chief Financial Officer manages the cash and Investments portfolio with the assistance of independent advisors. Council has an Investment Policy which complies with the s625 of the Act and the Ministerial Investment Order. The Policy is regularly reviewed by Council and a Monthly Investment Report is provided to Council setting out the performance of the portfolio 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 Chief Financial Officer under policies adopted by the Council.

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

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due.
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

Council manages these risks 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 cash and investments.

#### (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	2,299	2,006
Impact of a 10% movement in price of investments		
– Equity / Income Statement	4,559	4,827

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

### (b) Credit risk

Council's major receivables comprise rates, annual charges, user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk other than Council has significant credit risk exposures in its local area given the nature of Council activities.

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

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

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

#### Credit risk profile

##### Receivables – rates and annual charges

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

\$ '000	Not yet overdue rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
<b>2022</b>				
Gross carrying amount	(2,006)	6,599	906	5,499
<b>2021</b>				
Gross carrying amount	(1,789)	6,769	1,022	6,002

##### Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses, which permits the use of the lifetime expected loss provision at inception. To measure the expected credit losses, non-rates and annual charges debtors 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	
<b>2022</b>						
Gross carrying amount	12,926	1,176	497	215	577	15,391
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	58.00%	2.17%
<b>ECL provision</b>	–	–	–	–	<b>335</b>	<b>335</b>
<b>2021</b>						
Gross carrying amount	8,832	349	216	563	325	10,285
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	72.57%	2.29%
<b>ECL provision</b>	–	–	–	–	<b>236</b>	<b>236</b>

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

### (c) Liquidity risk

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

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

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

Interest rate movements are regularly reviewed to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2022</b>							
Payables	0.00%	12,366	5,799	10,526	2,070	30,761	30,783
Borrowings	2.93%	–	2,007	6,921	9,334	18,262	18,262
<b>Total financial liabilities</b>		<b>12,366</b>	<b>7,806</b>	<b>17,447</b>	<b>11,404</b>	<b>49,023</b>	<b>49,045</b>
<b>2021</b>							
Payables	0.00%	7,587	5,632	8,836	2,100	24,155	24,155
Borrowings	3.21%	–	1,262	398	–	1,660	1,660
<b>Total financial liabilities</b>		<b>7,587</b>	<b>9,295</b>	<b>12,112</b>	<b>2,100</b>	<b>31,094</b>	<b>25,815</b>



## E2-1 Fair value measurement (continued)

### Valuation techniques

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

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

#### Investment property

Council engages external, independent and qualified valuers to determine the fair value of Council's investment properties. Investment properties were revalued as at 30 June 2022 by Jones Lang LaSalle Advisory Services Pty Ltd: Richard Lawrie FAPI (API Member: 68643).

Valuations are based on both discounted cash flow and capitalisation of income.

#### Infrastructure, property, plant and equipment (IPPE)

Council's non-current assets are continually revalued at a minimum every 5 years, as per the Code of Accounting Practice. Council also ensures that the carrying amount does not differ materially from that which would be determined using fair value at the end of each reporting period.

Condition based assessments have been carried out on these assets to determine fair value, the rate of consumption of service potential and the residual life for valuation purposes.

#### Buildings/Swimming Pools

Council engages external, independent and qualified valuers to determine the fair value of Council's buildings and swimming pools.

The gross value of each building is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology.

Buildings and Swimming Pools were last revalued as at 30 June 2021 by Assetic Pty Ltd in accordance with the fair valuation policy as mandated by the Office of Local Government. At 30 June 2022 Council carried out the interim desktop fair value assessment and indexed the fair valuation based on unit rate to reflect the increased cost in current high CPI environment.

Inputs to the valuation include the design and construction, average cost of construction, condition and consumption score for each component. As these are supported by observable evidence obtained via inspection and market evidence they have been classified as Level 2 inputs.

The unobservable inputs are unit price, asset condition and the relationship between current asset condition and remaining service potential. The unobservable inputs used to assess the level of remaining service potential required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

As this method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment. This approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors.

#### Infrastructure Assets (Roads, Bulk Earthworks, Parks, Stormwater Drainage, Open Space, Recreational Facilities and Other Infrastructure Assets)

This asset class includes bridges, bus shelters, carparks, footpaths, kerb and gutter, sealed roads, traffic management devices, cycleways, open space, furniture, park lighting, play equipment, playground facilities, recreational facilities, irrigation and other structures, culverts, stormwater quality improvement devices (creeks and wetlands), open channels, stormwater pits/pipes and structures.

Council's road assets are componentised into surface, base, sub-base and formation and further separated into segments for inspection and valuation. The formation of road bulk earthworks are non-depreciable.

The valuation of Roads, Footpaths and non-depreciable bulk asset classes was performed by APV as at 30 June 2022 in accordance with the fair valuation policy as mandated by the Office of Local Government.

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

## E2-1 Fair value measurement (continued)

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The fair value of these assets was determined based on their current replacement cost.

Open space and other recreational assets were last revalued as at 30 June 2020 by Rapid Map Services Pty Ltd. Fair value was determined by using the modern engineering equivalent replacement cost depreciated using a lifecycle condition score and effective useful life.

### Land (Operational, Community and Land under roads)

#### Community land

Council's Community Land valuations have been performed internally based on Valuer General's valuations for rating purposes where available, or the average total Value General rate divided by the total land area to derive a unit rate (Average Shire Rate).

For parcels not in the Valuer General report, the value is derived from the average of the community land parcels rather than the average shire rate.

Council's Community Land was last revalued 30 June 2021 in accordance with the fair valuation policy as mandated by the Office of Local Government.

#### Operational land (Level 2)

Operational land is valued externally. Where this information is not available, current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences are considered. Council's Operational Land was last revalued 30 June 2018 in accordance with the fair valuation policy as mandated by the Office of Local Government.

#### Land under roads

The fair value for Land under Roads has been performed internally using a unit rate per square metre, derived from the Valuer General's valuation performed for rating purposes where available, or the average total Value General rate divided by the total land area to derive a unit rate (Average Shire Rate). Given the nature of Land under Roads, comparable sales data is not available. As the Valuer General considers land in all zoning, average unit rates derived from the Valuer General's valuation is considered the most practicable approach to valuing Land under Roads. Council excludes all areas relating to National Parks in this calculation. Land under roads reflects the Office of Local Government discounting policy (adopted 2017). The key unobservable input to the valuation is the rate per square metre. Land under roads was last revalued as at 30 June 2019.



## E2-1 Fair value measurement (continued)

## Fair value measurements using significant unobservable inputs (level 3)

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

	Community Land		Buildings		Other infrastructure		Roads	
	2022	2021	2022	2021	2022	2021	2022	2021 Restated
<b>\$ '000</b>								
<b>Opening balance</b>	<b>214,187</b>	163,165	<b>282,507</b>	340,848	<b>27,512</b>	28,213	<b>735,132</b>	735,534
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Purchases (GBV)	286	1,908	4,541	3,911	-	30	11,253	18,319
Disposals (WDV)	(143)	(284)	(1,120)	(766)	-	-	(4,051)	(4,387)
Depreciation and impairment	-	-	(10,168)	(7,503)	(733)	(731)	(13,357)	(13,233)
Revaluation	-	42,845	11,536	(56,505)	880	-	27,920	-
Adjustments Transfers	-	6,553	771	2,522	-	-	2,634	(1,101)
<b>Closing balance</b>	<b>214,330</b>	214,187	<b>288,067</b>	282,507	<b>27,659</b>	27,512	<b>759,531</b>	735,132

## E2-1 Fair value measurement (continued)

\$ '000	Bridges		Footpaths		Stormwater drainage		Swimming pools	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Opening balance</b>	<b>7,299</b>	7,372	<b>79,222</b>	75,985	<b>543,608</b>	551,002	<b>9,226</b>	6,535
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Purchases (GBV)	–	42	<b>1,893</b>	4,339	<b>1,742</b>	1,849	<b>430</b>	9
Disposals (WDV)	–	–	<b>(108)</b>	(135)	–	–	–	–
Depreciation and impairment	<b>(116)</b>	(115)	<b>(1,017)</b>	(967)	<b>(9,253)</b>	(9,243)	<b>(494)</b>	(747)
Revaluation	<b>6,855</b>	–	<b>(10,173)</b>	–	<b>32,227</b>	–	<b>378</b>	376
Adjustments Transfers	–	–	<b>1,804</b>	–	<b>177</b>	–	–	3,053
<b>Closing balance</b>	<b>14,038</b>	7,299	<b>71,621</b>	79,222	<b>568,501</b>	543,608	<b>9,540</b>	9,226

## E2-1 Fair value measurement (continued)

\$ '000	Other open space recreational		Land under roads		Land improvements non-depreciable		Bulk earthworks non-depreciable	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Opening balance</b>	<b>177,594</b>	178,337	<b>16,566</b>	16,566	–	22,946	<b>151,478</b>	151,478
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Purchases (GBV)	<b>2,988</b>	8,720	<b>586</b>	–	–	–	–	–
Disposals (WDV)	<b>(192)</b>	(233)	–	–	–	–	–	–
Depreciation and impairment	<b>(9,434)</b>	(9,230)	–	–	–	–	–	–
Revaluation	<b>5,677</b>	–	–	–	–	(2,778)	<b>54,622</b>	–
Adjustments Transfers	<b>1,488</b>	–	–	–	–	(20,168)	<b>127</b>	–
<b>Closing balance</b>	<b>178,121</b>	177,594	<b>17,152</b>	16,566	–	–	<b>206,227</b>	151,478

## E2-1 Fair value measurement (continued)

\$ '000	Crown Land		Total	
	2022	2021	2022	2021
<b>Opening balance</b>	<b>84,165</b>	65,634	<b>2,328,496</b>	<b>2,343,615</b>
Purchases (GBV)	–	3,983	<b>23,719</b>	<b>43,110</b>
Disposals (WDV)	–	(102)	<b>(5,614)</b>	<b>(5,907)</b>
Depreciation and impairment	–	–	<b>(44,572)</b>	<b>(41,769)</b>
Revaluation	–	1,035	<b>129,922</b>	<b>(15,027)</b>
Adjustments Transfers	–	13,615	<b>7,001</b>	<b>4,474</b>
<b>Closing balance</b>	<b>84,165</b>	<b>84,165</b>	<b>2,438,952</b>	<b>2,328,496</b>

## E3-1 Contingencies

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme (Active Super) – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of *AASB119 Employee Benefits* for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

##### *Description of the funding arrangements.*

Pooled employers are required to pay future service employer contributions and past service employer contributions to the fund.

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

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

\* For 180 Point Members, Employers are required to contribute 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 from 1 July 2019 for to 31 December 2021 and \$20 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for accrued liabilities.

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

##### *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 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 Council.

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

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

## E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$1,207,776.10. The last formal valuation of the Fund was undertaken by the fund actuary, Mr Richard Boyfield, FIAA as at 30 June 2021.

The amount of additional contributions included in the total employer contribution advised above is \$456,180.60. Council's expected contribution to the Fund for the next annual reporting period is \$872,084.88.

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

Defined Benefit 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 share of any funding surplus or deficit that can be attributed to Council is 2.28%.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

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

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.

### (ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30 June 2022 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

### (iii) Other guarantees

#### (a) State Insurance Regulatory Authority (SIRA)

In accordance with requirements of State Insurance Regulatory Authority (SIRA) Council as a self insurer for workers compensation is required to lodge a bank guarantee as security against potential claims upon Council.

As at 30 June 2021 the bank guarantee held by State Insurance Regulatory Authority (SIRA) was in the amount of \$7,292,000. At 30 June 2022, Council's actuarial assessment has recommended a security of \$7,674,000 be held to satisfy the new calculation formula. SIRA has been advised of the recommendation and once reviewed and agreed by them, the appropriate amount of the guarantee will be organised with Council's banker. Council's actuary is David A Zaman Pty Ltd.

#### (b) Cronulla Surf Life Saving Club

As at 30 June 2022, a loan guarantee was held by CBA totalling \$1,746,677 on behalf of Cronulla Surf Life Saving Club for a loan to undertake Club building improvements. No loss is anticipated.

#### (c) North Cronulla Surf Life Saving Club

As at 30 June 2022, a loan guarantee was held by CBA totalling \$4,228,702 on behalf of North Cronulla Surf Life Saving Club for a loan to undertake Club facility refurbishment. No loss is anticipated.

## E3-1 Contingencies (continued)

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### 2. Other liabilities

#### (i) Landfill stabilisation - Ferntree Reserve

Council has identified requirements for potential stabilisation of an old quarry landfill site at Ferntree Reserve Engadine.

A risk analysis has been completed and discussions are being held between Council, its consultants and Sydney Water as to works required to mitigate the risks associated with land slip likely to damage the main Woronora Dam water distribution pipeline located downslope of the old quarry landfill site. A project working group has recently been established.

As at the date of reporting, rainfall in July 2022 had caused further slippage. A geographical survey has been conducted and a risk assessment is in progress. Negotiations are still underway and it is not possible to finalise the cost of works required.

#### (ii) Third party claims

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

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

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

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

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

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

### ASSETS NOT RECOGNISED

#### (i) Land under roads

As permitted under *AASB1051 Land Under Roads*, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

## F People and relationships

### F1 Related party disclosures

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

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

Specifically, Key Management Personnel of Council are

- Councillors (including the Mayor and Deputy Mayor)
- Chief Executive Officer
- Directors

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

\$ '000	2022	2021
<b>Compensation:</b>		
Short-term benefits	2,340	2,156
Post-employment benefits	118	106
Other long-term benefits	90	5
<b>Total</b>	<b>2,548</b>	<b>2,267</b>

#### F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Councillors' fees	439	449
Mayoral fee	81	89
Other Councillors' expenses (including Mayor)	67	37
<b>Total</b>	<b>587</b>	<b>575</b>



## F2 Other relationships

### F2-1 Audit fees

\$ '000	2022	2021
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements : Auditor-General	161	147
<b>Remuneration for audit and other assurance services</b>	<b>161</b>	<b>147</b>
<b>Total Auditor-General remuneration</b>	<b>161</b>	<b>147</b>
<b>Non NSW Auditor-General audit firms</b>		
<b>(i) Audit and other assurance services</b>		
Other audit and assurance services - Internal Audit Program	180	207
<b>Remuneration for audit and other assurance services</b>	<b>180</b>	<b>207</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>180</b>	<b>207</b>
<b>Total audit fees</b>	<b>341</b>	<b>354</b>

## G Other matters

### G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
<b>Net operating result from Income Statement</b>	<b>22,317</b>	33,105
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	49,732	46,675
(Gain) / loss on disposal of assets	10,049	5,348
Non-cash capital grants and contributions	(730)	(5,294)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	893	–
– Investment property	(1,382)	(1,840)
– Revaluation decrements / impairments of IPP&E direct to P&L	–	26
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	(4,839)	(1,138)
(Decrease)/increase in provision for doubtful debts	(71)	216
(Increase)/decrease in inventories	(62)	(11)
(Increase)/decrease in other assets	788	1,891
Increase / (decrease) in payables	652	(1,724)
Increase / (decrease) in accrued interest payable	2	5
(Decrease)/increase in other accrued expenses payable	2,421	(2,368)
Increase / (decrease) in other liabilities	1,764	710
Increase / (decrease) in contract liabilities	1,324	300
(Decrease)/increase in employee leave entitlements	(1,828)	111
Increase / (decrease) in other provisions	326	1,690
<b>Net cash flows from operating activities</b>	<b>81,356</b>	<b>77,702</b>

#### (b) Non-cash investing and financing activities

\$ '000	Notes	2022	2021
Asset dedications (other than s7.11 & s7.12)	3(e)	730	5,294
<b>Total non-cash investing and financing activities</b>		<b>730</b>	<b>5,294</b>

## G2-1 Commitments

### Capital commitments (exclusive of GST)

\$ '000	2022	2021
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

#### Property, plant and equipment

Buildings	2,658	2,001
Open Spaces	3,545	2,013
Road Infrastructure	2,387	2,348
<b>Total commitments</b>	<b>8,590</b>	<b>6,362</b>

#### These expenditures are payable as follows:

Within the next year	8,590	6,362
<b>Total payable</b>	<b>8,590</b>	<b>6,362</b>

#### Sources for funding of capital commitments:

Unrestricted general funds	3,169	1,952
Unexpended grants	2,025	174
Externally restricted reserves	2,410	3,402
Internally restricted reserves	986	834
<b>Total sources of funding</b>	<b>8,590</b>	<b>6,362</b>

#### Details of capital commitments

Comprehensive details of the Capital Commitments can be found in the '2021/22 Funding Continuance' (GOV021-22) report to the August 2022 Corporate Governance Committee.

## G3-1 Events occurring after the reporting date

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During the first week of July 2022 the coastline of the Sutherland Shire Council experienced significant swells similar to those that were experienced in the months of April and June of 2022.

As there was only a short period of time for the beaches to recover from previous events, the impacts of these significant swells exacerbated the scouring. The coastline will remain highly vulnerable to further erosion for the last six months of 2022 with further large swells being anticipated.

At North Cronulla Beach there was approximately two metres in depth of dune sand, and this sharply increased the risk to some foreshore assets being lost or compromised. Monitoring and management actions have been reviewed and planned responses to these risks are progressively being implemented.

## G4 Changes from prior year statements

### G4-1 Correction of errors

#### Nature of prior period error

Details of errors	Impact of correction of errors (\$'000)
<p><b>Car Parks</b></p> <p>Council has identified a number of carpark assets, that are managed and controlled by RailCorp –Transport for NSW and/or other third parties, which have been incorrectly recognised on Council's Statement of Financial Position. This incorrect asset recognition extends to previous accounting periods and in order to derecognise those assets an adjustment is required. The result of this prior period error correction is a reduction to the opening balance of Council's Road asset class as at 1 July 2020.</p>	(\$1,069)
<p>Council has also identified a number of carpark assets which have been duplicated due to being incorrectly included and recognised as part of the 2021 building assets revaluation process. This incorrect asset recognition extends to previous accounting periods and in order to derecognise those duplicate assets an adjustment is required. The result of this prior period error correction is a reduction to the closing balance of Council's Road asset class as at 30 June 2021.</p>	(\$2,024)
<p><b>Retaining Walls, Traffic Facilities and Street Furniture</b></p> <p>Council's retaining walls, traffic facilities and street furniture assets have all previously not been recognised on its Statement of Financial Position. As part of the 2021/22 comprehensive transport asset class revaluation these assets have now been appropriately identified and valued and subsequently recognised in the accounts.</p>	\$13,763
<p>Due to the material nature of the value of these assets a prior period correction is required. The result of this correction is an increase in the opening balance of Road asset class as at 1 July 2020.</p>	
<p><b>Cycleways</b></p> <p>During the 2021/22 comprehensive transportation asset revaluation it was identified that the measurement units recorded in Council's asset register for cycleways in previous years were incorrect.</p> <p>The error related to the use of linear meterage rather than square meterage and this has resulted in the understatement of the values of those assets.</p> <p>Due to the material nature of the value of these assets a prior period correction is required. The result of this correction is an increase in the opening balance of Road asset class as at 1 July 2020.</p>	\$3,673
<b>Net Impact</b>	<b>\$14,343</b>

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented ie 1 July 2020 taking the adjustment through to the accumulated surplus at that date.

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

## G4-1 Correction of errors (continued)

## Changes to the opening Statement of Financial Position at 1 July 2020

## Statement of Financial Position

\$ '000	Notes	Original Balance 1 July, 2020	Impact Increase/ (decrease)	Restated Balance 1 July, 2020
Infrastructure, property, plant and equipment	C1-6	2,596,635	16,367	2,613,002
<b>Total non-current assets</b>		<b>2,694,913</b>	<b>16,367</b>	<b>2,711,280</b>
<b>Total assets</b>		<b>2,921,313</b>	<b>16,367</b>	<b>2,937,680</b>
<b>Net assets</b>		<b>2,837,331</b>	<b>16,367</b>	<b>2,853,698</b>
Accumulated surplus		1,484,570	16,367	1,500,937
<b>Total equity</b>		<b>2,837,331</b>	<b>16,367</b>	<b>2,853,698</b>

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

## Statement of Financial Position

\$ '000	Notes	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Infrastructure, property, plant and equipment	C1-6	2,580,404	14,343	2,594,747
<b>Total non-current assets</b>		<b>2,705,629</b>	<b>14,343</b>	<b>2,719,972</b>
<b>Total assets</b>		<b>2,936,715</b>	<b>14,343</b>	<b>2,951,058</b>
<b>Net assets</b>		<b>2,855,395</b>	<b>14,343</b>	<b>2,869,738</b>
Accumulated surplus		1,517,675	16,367	1,534,042
Revaluation reserve		1,337,720	(2,024)	1,335,696
<b>Total equity</b>		<b>2,855,395</b>	<b>14,343</b>	<b>2,869,738</b>

## G4-1 Correction of errors (continued)

## Income Statement

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
<b>Total income from continuing operations</b>	<b>275,617</b>	–	<b>275,617</b>
<b>Total expenses from continuing operations</b>	<b>242,512</b>	–	<b>242,512</b>
<b>Net operating result for the year</b>	<b>33,105</b>	–	<b>33,105</b>

## Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
<b>Net operating result for the year</b>	<b>33,105</b>	–	<b>33,105</b>
Gain (loss) on revaluation of infrastructure, property, plant and equipment	(15,041)	(2,024)	(17,065)
<b>Other comprehensive income</b>	<b>(15,041)</b>	<b>(2,024)</b>	<b>(17,065)</b>
<b>Total comprehensive income for the year</b>	<b>18,064</b>	<b>(2,024)</b>	<b>16,040</b>

## G5 Statement of developer contributions as at 30 June 2022

### G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Held as restricted asset at 30 June 2022
		Cash	Non-cash			
Open space	50,973	3,426	–	795	(2,311)	52,883
Community facilities	2,772	20	–	20	–	2,812
<b>S7.11 contributions – under a plan</b>	<b>53,745</b>	<b>3,446</b>	<b>–</b>	<b>815</b>	<b>(2,311)</b>	<b>55,695</b>
<b>S7.12 levies – under a plan</b>	<b>9,867</b>	<b>7,795</b>	<b>–</b>	<b>91</b>	<b>(4,034)</b>	<b>13,719</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>63,612</b>	<b>11,241</b>	<b>–</b>	<b>906</b>	<b>(6,345)</b>	<b>69,414</b>
S7.11 not under plans	1,479	–	–	10	–	1,489
<b>Total contributions</b>	<b>65,091</b>	<b>11,241</b>	<b>–</b>	<b>916</b>	<b>(6,345)</b>	<b>70,903</b>

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.

An investment property has been purchased using Developer Contributions which as at 30/06/2022 had a fair value of \$6,800,000.



## G5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Held as restricted asset at 30 June 2022
		Cash	Non-cash			
<b>Shire Wide Open Space &amp; Recreation Facilities (2005)</b>						
Open Space	31,770	-	-	593	21	32,384
<b>Total</b>	<b>31,770</b>	<b>-</b>	<b>-</b>	<b>593</b>	<b>21</b>	<b>32,384</b>
<b>Community Facilities Menai &amp; Woronora Heights (1993)</b>						
Community facilities	2,772	20	-	20	-	2,812
<b>Total</b>	<b>2,772</b>	<b>20</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>2,812</b>
<b>Section 7.11 Development Contribution Plan - Amendment 3 (2020)</b>						
Open space	19,203	3,426	-	202	(2,332)	20,499
<b>Total</b>	<b>19,203</b>	<b>3,426</b>	<b>-</b>	<b>202</b>	<b>(2,332)</b>	<b>20,499</b>

## G5-2 Developer contributions by plan (continued)

## S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Held as restricted asset at 30 June 2022
		Cash	Non-cash			
<b>Section 7.12 Development Contribution Plan - Amendment 2 (2020)</b>						
Open Space	9,867	7,795	–	91	(4,034)	13,719
<b>Total</b>	<b>9,867</b>	<b>7,795</b>	<b>–</b>	<b>91</b>	<b>(4,034)</b>	<b>13,719</b>

## G5-3 Contributions not under plans

## Pre 1993 Woronora Northern Access Road

Roads	1,479	–	–	10	–	1,489
<b>Total</b>	<b>1,479</b>	<b>–</b>	<b>–</b>	<b>10</b>	<b>–</b>	<b>1,489</b>

## G6 Statement of performance measures

### G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021      2020		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>6,165</b>	<b>2.44%</b>	4.23%	4.11%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>252,866</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>234,211</b>	<b>84.05%</b>	85.19%	82.51%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>278,661</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>150,910</b>	<b>4.06x</b>	3.75x	3.01x	> 1.50x
Current liabilities less specific purpose liabilities	<b>37,169</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>56,119</b>	<b>12.42x</b>	13.28x	11.01x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>4,520</b>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<b>8,423</b>	<b>4.44%</b>	4.68%	4.70%	< 5.00%
Rates and annual charges collectable	<b>189,601</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>229,908</b>	<b>12.93</b>	11.62	9.54	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>17,779</b>	<b>months</b>	months	months	months

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

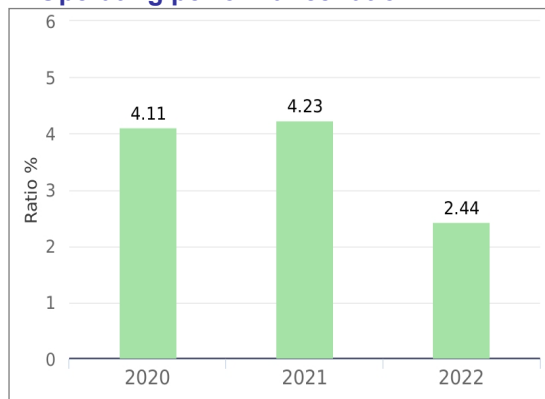
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

**End of the audited financial statements**

## H Additional Council disclosures (unaudited)

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

#### 1. Operating performance ratio



#### Purpose of operating performance ratio

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

#### Commentary on 2021/22 result

2021/22 ratio 2.44%

Although this ratio exceeded the industry benchmark for the financial year there were a few factors which significantly impacted Council's operating performance. The Public Health Order restrictions that were put in place significantly impacted revenue generation in affected areas of the business. The increase in Council's depreciation expense (non cash item) also impacted this ratio. Excluding the pre-payment of the Financial Assistance Grant the ratio result would have been 0.24% which is slightly above the benchmark.

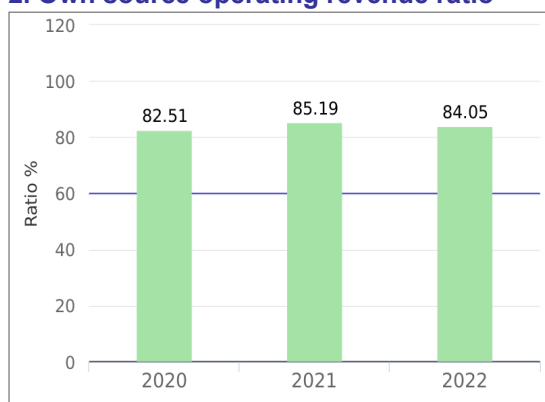
Benchmark: — > 0.00%

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 84.05%

Council continues to operate well above the industry benchmark in relation to own source revenue. Council maintains a low reliance on external funding.

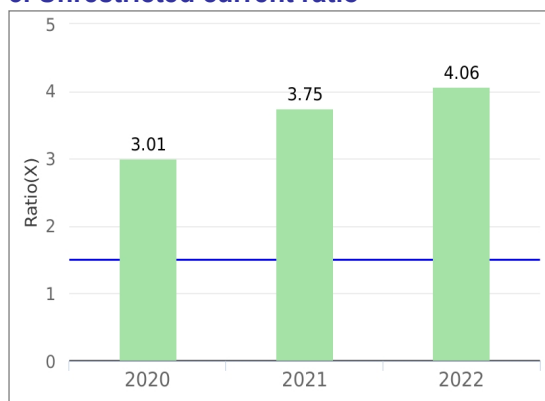
Benchmark: — > 60.00%

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 4.06x

Council continues to maintain its ability to satisfy its short term obligations. Adequate management of levels of unrestricted cash levels, internal restrictions and other current assets, and liabilities such as its leave provisions has resulted in Council exceeding the industry benchmark.

Benchmark: — > 1.50x

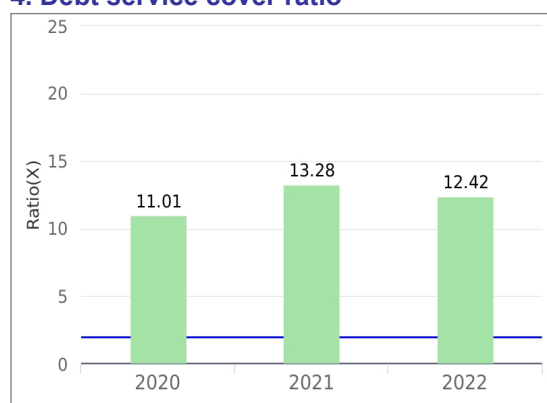
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

### 4. Debt service cover ratio



#### Purpose of debt service cover ratio

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

#### Commentary on 2021/22 result

2021/22 ratio 12.42x

Council is operating well above the benchmark with more than adequate availability of operating cash to service its debt obligations.

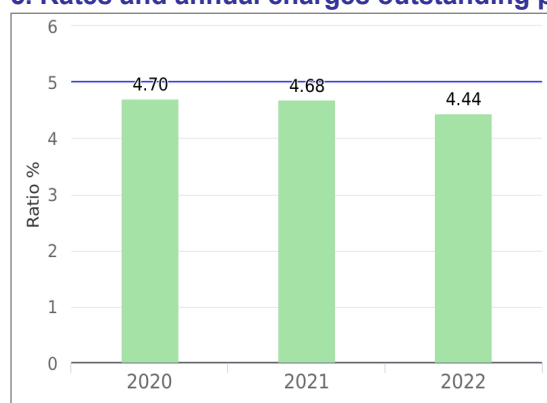
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 4.44%

Despite the continuing volatile external economic environment, the level of outstanding rates and charges once again decreased over the 12 month reporting period.

This result and trend places Council in a preferable position with its receivable levels, especially considering the continued unpredictability of the external economic environment.

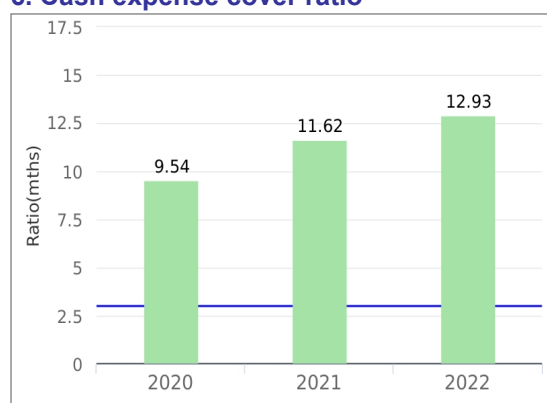
Benchmark: — < 5.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 12.93 months

Council continues to maintain a strong cash position.

This ratio result illustrates that Council's current cash position would enable the continuity of essential services to the community in the event of significant events such as a pandemic.

Although this ratio is calculated on a consolidated basis, Council's unrestricted cash is at an adequate level as at 30 June 2022.

Benchmark: — > 3.00months

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

## H1-2 Council information and contact details

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**Principal place of business:**

4-20 Eton Street  
SUTHERLAND NSW 2232

**Contact details**

**Mailing Address:**

Locked Bag 17  
SUTHERLAND NSW 1499

**Telephone:** 02 9710 0333

**Opening hours:**

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

**Internet:** [www.sutherland.nsw.gov.au](http://www.sutherland.nsw.gov.au)

**Email:** [ssc@ssc.nsw.gov.au](mailto:ssc@ssc.nsw.gov.au)

**Officers**

**Chief Executive Officer**

Mrs Manjeet Grewal

**Chief Financial Officer**

Mr Mitchel Woods

**Public Officer**

Mr Anton Usher

**Auditors**

Audit Office of New South Wales  
Level 19, Darling Park Tower 2  
201 Sussex Street  
SYDNEY NSW 2000

**Elected members**

**Mayor**

Councillor Carmelo Pesce

**Deputy Mayor**

Councillor Carol Provan

**Councillors**

Councillor Jen Armstrong  
Councillor Hassan Awada  
Councillor Jack Boyd  
Councillor Laura Cowell  
Councillor Marcelle Elzerman  
Councillor Leanne Farmer  
Councillor Kent Johns  
Councillor Greg McLean OAM  
Councillor Stephen Nikolovski  
Councillor Peter Scaysbrook  
Councillor Deidree Steinwall  
Councillor Louise Sullivan  
Councillor Haris Strangas

**Other information**

**ABN:** 52 018 204 808



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Sutherland Shire Council

To the Councillors of Sutherland Shire Council

### Qualified Opinion

I have audited the accompanying financial statements of Sutherland Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matter described in the 'Basis for Qualified Opinion' section of my report:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Qualified Opinion

#### Non recognition of rural fire-fighting equipment

As disclosed in Note C1-6 to the financial statements, the Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refers to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed in February 2008
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2022
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2022
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G6-1 'Statement of performance measures – consolidated results'.

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

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

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

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

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

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

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



## Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'C. Karakatsanis'.

Caroline Karakatsanis  
Delegate of the Auditor-General for New South Wales

19 October 2022

SYDNEY



Carmelo Pesce  
Mayor  
Sutherland Shire Council  
4–20 Eton Street  
SUTHERLAND NSW 2232

Contact: Caroline Karakatsanis  
Phone no: 02 9275 7134  
Our ref: D2221147/1790

19 October 2022

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2022  
Sutherland Shire Council**

I have audited the general purpose financial statements (GPFS) of the Sutherland Shire 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 a modified 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.

### **Modification to the opinion in the Independent Auditor's Report**

#### **Non-recognition of rural fire-fighting equipment**

The Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refers to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed in February 2008
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.





Consequently, we were unable to determine the carrying values of rural firefighting equipment assets and related amounts that should be recorded and recognised in the council's 30 June 2022 financial statements.

This has resulted in the audit opinion on the Council's 30 June 2022 GPFS to be modified.

Refer to the Independent Auditor's report on the GPFS.

## INCOME STATEMENT

### Operating result

	2022	2021*	Variance
	\$m	\$m	%
Rates and annual charges revenue	180.3	175.9	 2.5
Grants and contributions revenue	44.5	40.5	 9.9
Operating result from continuing operations	22.3	33.1	 32.6
Net operating result before capital grants and contributions	(3.5)	6.9	 150.7

The Council's operating result from continuing operations (\$22.3) million including depreciation and amortisation expense of (\$49.7 million) was \$10.8 million lower than the 2020–21 result. This was mainly attributable to the following:

- increase in materials and services expenses of \$6 million from \$80 million in 2020–2021 to \$86 million in 2021–22
- increase in buildings depreciation expense by \$2.7 million.

The net operating result before capital grants and contributions (-\$3.5 million) was \$10.4 million lower than the 2020–21 result.

Rates and annual charges revenue (\$180.3 million) increased by \$4.4 million (2.5 per cent) in 2021–22.

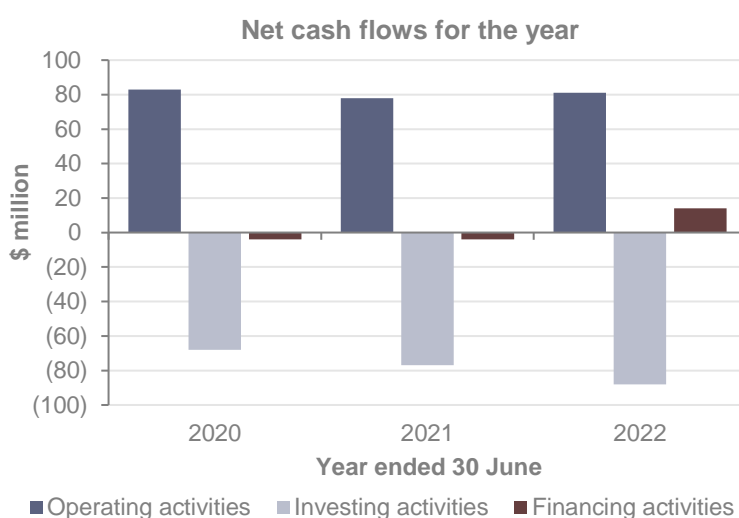
Grants and contributions revenue (\$44.5 million) increased by \$4 million (9.9 per cent) in 2021–22 largely due to:

- an increase of \$2.7 million in financial assistance grants
- receiving a storm/flood damage grant of \$1.1 million in 2021–22 (nil in 2020–21)

## STATEMENT OF CASH FLOWS

The increase in cash and cash equivalents of \$7.3 million was due to:

- net cash inflows from financing activities of \$14 million
- net cash outflows on acquisition of investments and payments for infrastructure, property plant and equipment of \$88.1 million
- net operating cash inflows of \$81.4 million



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>279.7</b>	<b>248.9</b>	Externally restricted cash and investments are restricted in their use by externally imposed requirements. External restrictions increased mainly due to the increases in domestic waste management fund of \$2.1 million and developer contributions of \$5.8 million which are not yet expended for the provision of infrastructure.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	150.1	140.5	
• Internal allocations	91.2	87.9	Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council for identified programs of works and forward plans.

### Debt

After repaying principal of \$1.7 million and taking up new borrowings of \$18.3 million in 2021–22, total debt as at 30 June 2022 was \$18.3 million (2021: \$1.7 million).

# PERFORMANCE

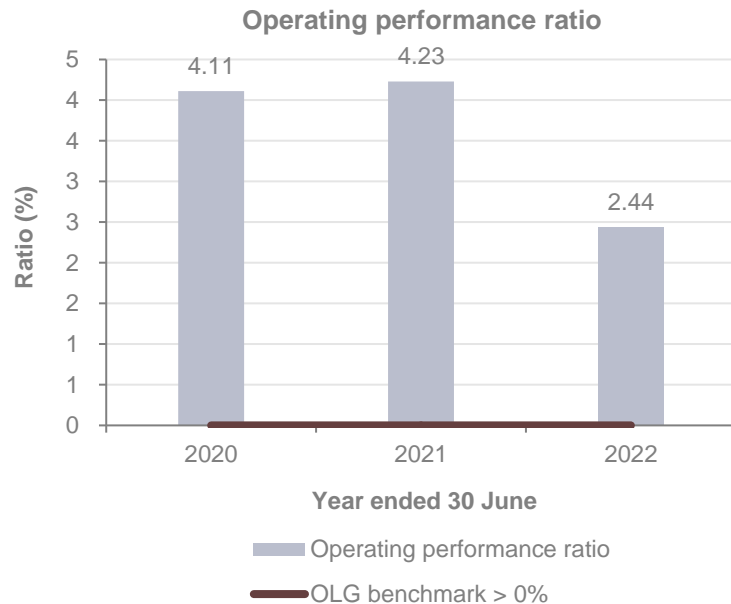
## Performance measures

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 '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.

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

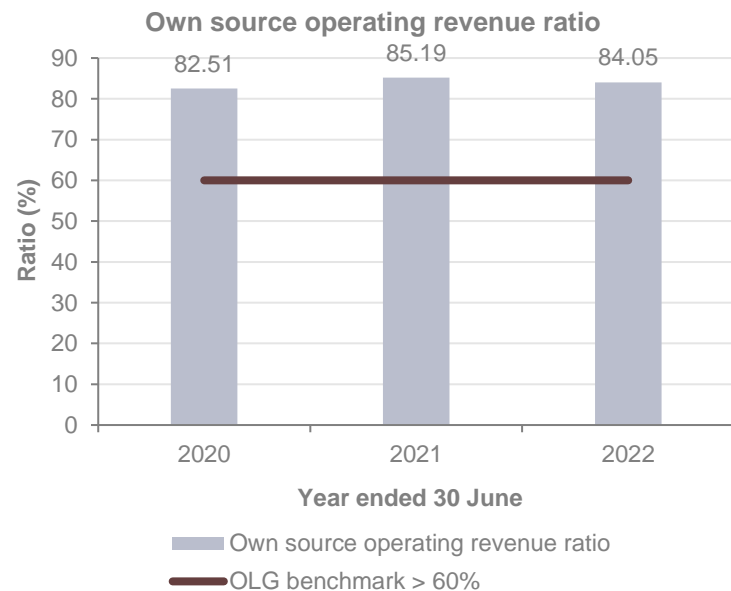


### Own source operating revenue ratio

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.

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

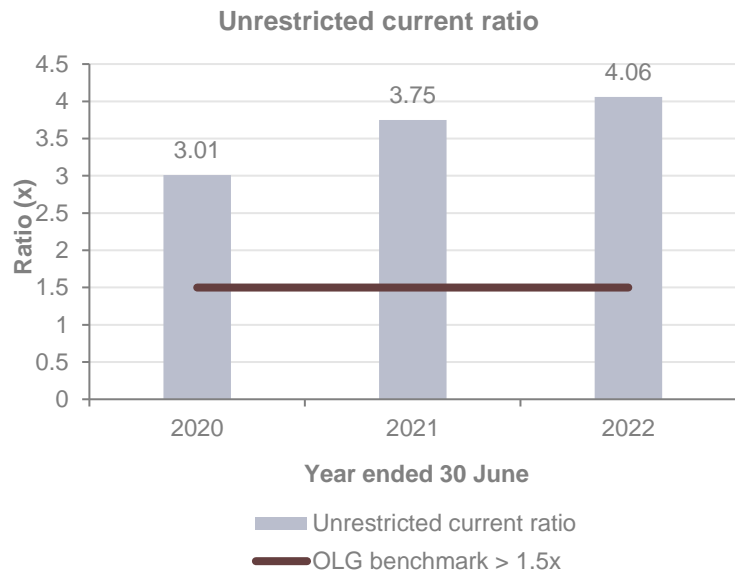
This ratio fluctuates with movements in grants and contributions.



### Unrestricted current ratio

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.

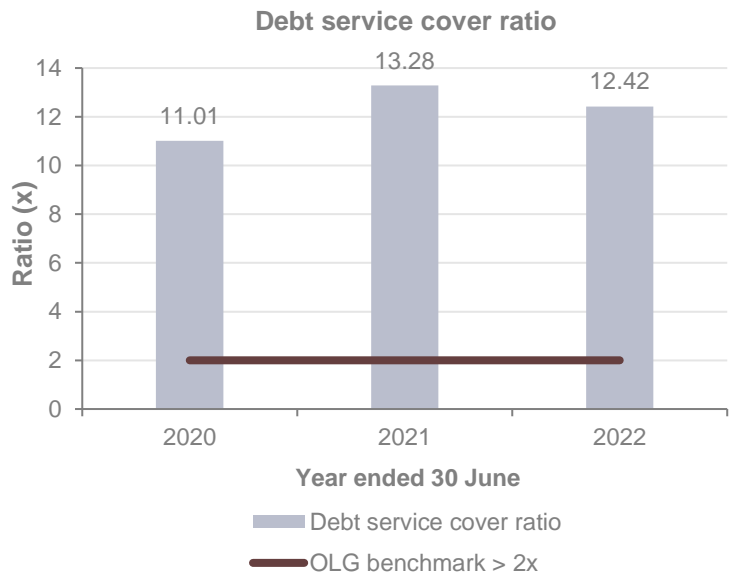
The Council met the OLG benchmark for the current reporting period.



### Debt service cover ratio

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.

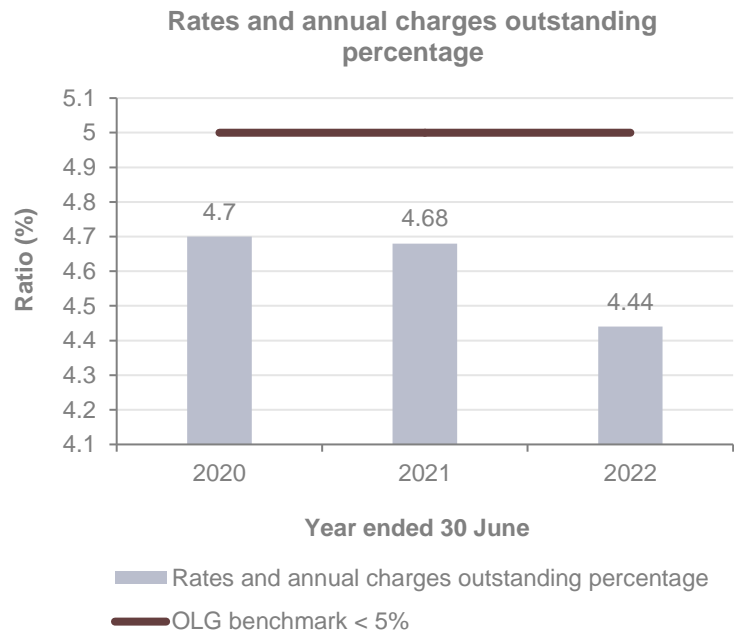
The Council met the OLG benchmark for the current reporting period.



## Rates and annual charges outstanding percentage

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.

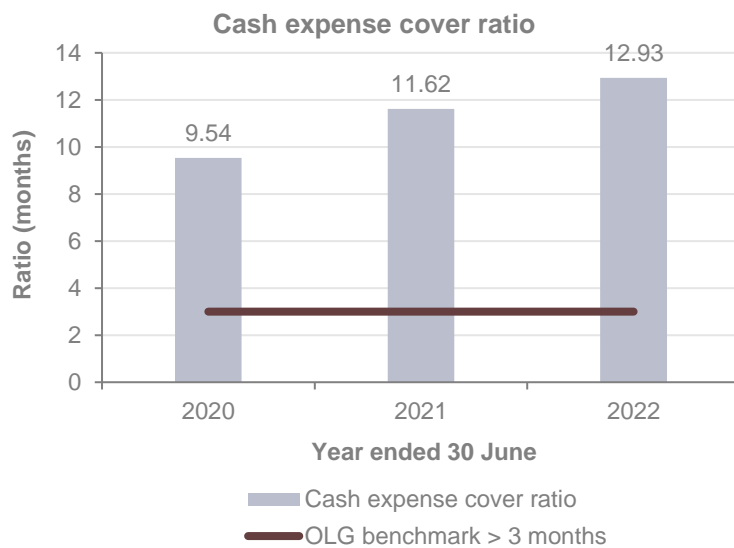
The Council met the OLG benchmark for the current reporting period.



## Cash expense cover ratio

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.

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



## Infrastructure, property, plant and equipment renewals

The Council's performance is as follows:

- asset renewals were \$47.6 million in 2021–22 compared to \$44.3 million in the prior year, \$32.1 million relating to capital work in progress (including entertainment centre project)
- during 2021–22, \$17.0 million (\$18.5 million in 2020–21) was spent on new assets across most asset classes.



## OTHER MATTERS

### Legislative compliance

My audit procedures identified a material deficiency in the Council's financial statements that will be reported in the Management Letter. Rural fire-fighting equipment was not recognised in the financial statements.

Except for the matter outlined above, the Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the GPFS
- staff provided all accounting records and information relevant to the audit.



Caroline Karakatsanis  
Director - Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Manjeet Grewal, Chief Executive Officer  
Cliff Haynes, Chair of the Audit, Risk and Improvement Committee  
Michael Cassel, Secretary of the Department of Planning and Environment

# Sutherland Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

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*A connected and safe community that respects people and nature, enjoying active lives in a strong local economy.*



# Sutherland Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2022

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Contents	Page
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<b>Special Purpose Financial Statements:</b>	
Income Statement of Long Day Care	4
Income Statement of Commercial Waste	5
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Statement of Financial Position of Commercial Waste	7
<b>Note – Significant Accounting Policies</b>	<b>8</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>10</b>

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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. Council formally declared, by resolution COR042-21, that its business activities are its Long Day Care Centres and its Commercial Waste operation.

## Sutherland Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2022

### Statement by Councillors and Management

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#### 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:

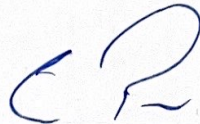
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting.

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 17 October 2022.



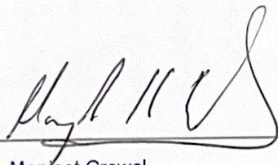
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Councillor Carmelo Pesce  
Mayor  
17 October 2022



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Councillor Carol Provan  
Deputy Mayor  
17 October 2022



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Mrs Marjeet Grewal  
Chief Executive Officer  
17 October 2022



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Mr Mitchel Woods  
Chief Financial Officer  
17 October 2022

## Sutherland Shire Council

### Income Statement of Long Day Care

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
<b>Income from continuing operations</b>		
User charges	13,898	15,078
Interest and investment income	–	11
Grants and contributions provided for operating purposes	294	612
Other income	10	32
<b>Total income from continuing operations</b>	<b>14,202</b>	<b>15,733</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	9,493	9,277
Materials and services	4,771	4,412
Depreciation, amortisation and impairment	4	38
Calculated taxation equivalents	589	410
Internal rent	1,304	938
Other notional internal expenses	1,985	1,911
Other expenses	1	–
<b>Total expenses from continuing operations</b>	<b>18,147</b>	<b>16,986</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(3,945)</b>	<b>(1,253)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(3,945)</b>	<b>(1,253)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(3,945)</b>	<b>(1,253)</b>
<b>Surplus (deficit) after tax</b>	<b>(3,945)</b>	<b>(1,253)</b>
<b>Plus accumulated surplus</b>	<b>4,859</b>	<b>2,855</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	589	410
– Internal Rent	1,304	938
– Other Notional Internal Expenses	1,985	1,911
<b>Closing accumulated surplus</b>	<b>4,792</b>	<b>4,861</b>
<b>Return on capital %</b>	<b>(28,178.6)%</b>	<b>(1,764.8)%</b>
<b>Subsidy from Council</b>	<b>3,946</b>	<b>1,254</b>

## Sutherland Shire Council

### Income Statement of Commercial Waste

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
<b>Income from continuing operations</b>		
User charges	1,522	1,511
Other income	77	75
<b>Total income from continuing operations</b>	<b>1,599</b>	<b>1,586</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	51	62
Materials and services	694	504
Internal rent	1	1
Other notional internal expenses	128	124
Other expenses	-	1
<b>Total expenses from continuing operations</b>	<b>874</b>	<b>692</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>725</b>	<b>894</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>725</b>	<b>894</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>725</b>	<b>894</b>
Less: corporate taxation equivalent (25%) [based on result before capital]	(181)	(232)
<b>Surplus (deficit) after tax</b>	<b>544</b>	<b>662</b>
<b>Plus accumulated surplus</b>	<b>8,521</b>	<b>7,502</b>
<b>Plus adjustments for amounts unpaid:</b>		
- Corporate taxation equivalent	181	232
- Internal Rent	1	1
- Other notional internal expenses	128	124
<b>Closing accumulated surplus</b>	<b>9,375</b>	<b>8,521</b>
<b>Return on capital %</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>-</b>

## Sutherland Shire Council

## Statement of Financial Position of Long Day Care

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	4,608	4,746
Receivables	185	222
<b>Total current assets</b>	<b>4,793</b>	<b>4,968</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	14	71
Other	2,887	2,542
<b>Total non-current assets</b>	<b>2,901</b>	<b>2,613</b>
<b>Total assets</b>	<b>7,694</b>	<b>7,581</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	479	453
Employee benefit provisions	2,116	2,210
<b>Total current liabilities</b>	<b>2,595</b>	<b>2,663</b>
<b>Non-current liabilities</b>		
Employee benefit provisions	307	57
<b>Total non-current liabilities</b>	<b>307</b>	<b>57</b>
<b>Total liabilities</b>	<b>2,902</b>	<b>2,720</b>
<b>Net assets</b>	<b>4,792</b>	<b>4,861</b>
<b>EQUITY</b>		
Accumulated surplus	4,792	4,861
<b>Total equity</b>	<b>4,792</b>	<b>4,861</b>

## Sutherland Shire Council

## Statement of Financial Position of Commercial Waste

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	3	5
<b>Total current assets</b>	<b>3</b>	<b>5</b>
<b>Non-current assets</b>		
Other	9,484	8,634
<b>Total non-current assets</b>	<b>9,484</b>	<b>8,634</b>
<b>Total assets</b>	<b>9,487</b>	<b>8,639</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	109	42
Employee benefit provisions	3	72
<b>Total current liabilities</b>	<b>112</b>	<b>114</b>
<b>Non-current liabilities</b>		
Employee benefit provisions	-	4
<b>Total non-current liabilities</b>	<b>-</b>	<b>4</b>
<b>Total liabilities</b>	<b>112</b>	<b>118</b>
<b>Net assets</b>	<b>9,375</b>	<b>8,521</b>
<b>EQUITY</b>		
Accumulated surplus	9,375	8,521
<b>Total equity</b>	<b>9,375</b>	<b>8,521</b>



## Note – Significant Accounting Policies

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

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

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

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

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

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

### National Competition Policy

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

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

### 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

(where gross operating turnover is over \$2 million)

##### Long Day Care Centres

The centres aim to provide care for pre-school age children, focussing on customer satisfaction and community needs.

#### Category 2

(where gross operating turnover is less than \$2 million)

##### Commercial Waste

Provision of waste collection and disposal service to business properties within the Shire.

### Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs. However, where Council does not pay some taxes, which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in special purpose financial statements. For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

#### Notional rate applied (%)

Corporate income tax rate – **25%** (20/21 26%)

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

## Note – Significant Accounting Policies (continued)

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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% (20/21 26%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the ‘Council’ as the owner of business operations – it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

### Local government rates and charges

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

### Loan and debt guarantee fees

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

#### (i) Subsidies

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

#### (ii) Return on investments (rate of return)

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

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council’s business activities on the Income Statement.

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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**Written down value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.66% at 30/6/22.

#### (iii) Dividends

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

**End of audited Special Purpose Financial Statements**



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**Sutherland Shire Council**

To the Councillors of Sutherland Shire Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Sutherland Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Long Day Care
- Commercial Waste.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2022, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

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

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



Caroline Karakatsanis  
Delegate of the Auditor-General for New South Wales

19 October 2022  
SYDNEY

# Sutherland Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2022

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*A connected and safe community that respects people and nature, enjoying active lives in a strong local economy.*



Sutherland Shire Council

Special Schedules

for the year ended 30 June 2022

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## Sutherland Shire Council

## Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	135,118	<b>139,775</b>
Plus or minus adjustments <sup>2</sup>	b	1,535	<b>450</b>
<b>Notional general income</b>	c = a + b	<b>136,653</b>	<b>140,225</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.00%	<b>2.50%</b>
Or plus rate peg amount	i = e x (c + g)	2,733	<b>3,506</b>
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>139,386</b>	<b>143,731</b>
Plus (or minus) last year's carry forward total	l	304	<b>(58)</b>
Less valuation objections claimed in the previous year	m	-	<b>(27)</b>
<b>Sub-total</b>	n = (l + m)	<b>304</b>	<b>(85)</b>
<b>Total permissible income</b>	o = k + n	<b>139,690</b>	<b>143,646</b>
Less notional general income yield	p	139,775	<b>143,721</b>
<b>Catch-up or (excess) result</b>	q = o - p	<b>(85)</b>	<b>(75)</b>
Plus income lost due to valuation objections claimed <sup>3</sup>	r	27	<b>76</b>
<b>Carry forward to next year <sup>4</sup></b>	t = q + r + s	<b>(58)</b>	<b>1</b>

**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) 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.
- (4) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.





## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Sutherland Shire Council

To the Councillors of Sutherland Shire Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Sutherland Shire Council (the Council) for the year ending 30 June 2023.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code) and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2022'.

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'C. Karakatsanis', written in a cursive style.

Caroline Karakatsanis  
Delegate of the Auditor-General for New South Wales

19 October 2022  
SYDNEY

## Sutherland Shire Council

## Report on Infrastructure Assets

as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard <sup>a</sup> \$ '000	Estimated cost to bring to the agreed level of service set by Council <sup>b</sup> \$ '000	2021/22 Required maintenance <sup>c</sup> \$ '000	2021/22 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	2,058	11,234	7,113	8,773	288,065	479,627	17.0%	54.8%	25.9%	2.3%	0.0%
	<b>Sub-total</b>	<b>2,058</b>	<b>11,234</b>	<b>7,113</b>	<b>8,773</b>	<b>288,065</b>	<b>479,627</b>	<b>17.0%</b>	<b>54.8%</b>	<b>25.9%</b>	<b>2.3%</b>	<b>0.0%</b>
<b>Roads</b>	Roads	10,812	49,293	3,980	3,896	487,957	609,208	36.6%	24.4%	33.0%	5.4%	0.6%
	Bridges	47	269	–	–	14,038	17,778	0.0%	97.9%	0.6%	1.5%	0.0%
	Footpaths	1,064	6,081	1,445	1,434	71,621	120,347	8.1%	25.7%	61.9%	4.3%	0.0%
	Other	1,877	7,986	4,944	4,605	477,801	654,142	8.7%	25.8%	63.6%	1.6%	0.3%
	<b>Sub-total</b>	<b>13,800</b>	<b>63,629</b>	<b>10,369</b>	<b>9,935</b>	<b>1,051,417</b>	<b>1,401,475</b>	<b>20.7%</b>	<b>26.1%</b>	<b>49.4%</b>	<b>3.5%</b>	<b>0.4%</b>
<b>Stormwater drainage</b>	Stormwater drainage	1,772	10,063	3,324	3,016	584,567	1,053,030	40.3%	58.5%	0.2%	1.0%	0.0%
	<b>Sub-total</b>	<b>1,772</b>	<b>10,063</b>	<b>3,324</b>	<b>3,016</b>	<b>584,567</b>	<b>1,053,030</b>	<b>40.3%</b>	<b>58.5%</b>	<b>0.2%</b>	<b>1.0%</b>	<b>0.0%</b>

## Sutherland Shire Council

## Report on Infrastructure Assets (continued)

as at 30 June 2022

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard <sup>a</sup> \$ '000	Estimated cost to bring to the agreed level of service set by Council <sup>b</sup> \$ '000	2021/22 Required maintenance <sup>c</sup> \$ '000	2021/22 Actual maintenance \$ '000			1	2	3	4	5
<b>Open space / recreational assets</b>	Swimming pools	40	229	–	–	9,649	16,133	23.8%	39.8%	35.0%	1.4%	0.0%
	Open Space / Recreational Assets	2,313	10,712	11,028	11,570	189,457	262,723	16.1%	46.7%	32.9%	3.9%	0.4%
	<b>Sub-total</b>	<b>2,353</b>	<b>10,941</b>	<b>11,028</b>	<b>11,570</b>	<b>199,106</b>	<b>278,856</b>	<b>16.5%</b>	<b>46.3%</b>	<b>33.0%</b>	<b>3.8%</b>	<b>0.4%</b>
<b>Other infrastructure assets</b>	Other	289	1,650	–	–	29,416	39,347	18.5%	37.3%	39.7%	4.5%	0.0%
	<b>Sub-total</b>	<b>289</b>	<b>1,650</b>	<b>–</b>	<b>–</b>	<b>29,416</b>	<b>39,347</b>	<b>18.5%</b>	<b>37.3%</b>	<b>39.7%</b>	<b>4.5%</b>	<b>0.0%</b>
<b>Total – all assets</b>		<b>20,272</b>	<b>97,517</b>	<b>31,834</b>	<b>33,294</b>	<b>2,152,571</b>	<b>3,252,335</b>	<b>26.1%</b>	<b>42.7%</b>	<b>28.5%</b>	<b>2.5%</b>	<b>0.2%</b>

(a) Amount of money that is required to be spent on assets that are not satisfactory standard (condition 4 and condition 5) to bring to satisfactory standard (condition 3).

(b) The cost to bring to agreed level of service is an estimate of the cost to renew or rehabilitate existing assets that have reached the condition-based intervention level set by Council. Council's current intervention levels are set based on the whole of life costs by developing optimised work programs. This results in higher intervention levels than condition 3.

(c) 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	<b>Excellent/very good</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Satisfactory</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## Sutherland Shire Council

### Report on Infrastructure Assets

as at 30 June 2022

#### Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2022	Indicator 2022	Indicators		Benchmark
			2021	2020	
<b>Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1</sup>	<b>47,602</b>	<b>106.80%</b>	105.99%	105.81%	>= 100.00%
Depreciation, amortisation and impairment	<b>44,572</b>				
<b>Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>20,272</b>	<b>0.92%</b>	1.79%	1.84%	< 2.00%
Net carrying amount of infrastructure assets	<b>2,204,290</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>33,294</b>	<b>104.59%</b>	101.28%	100.54%	> 100.00%
Required asset maintenance	<b>31,834</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>97,517</b>	<b>3.00%</b>	2.75%	2.59%	
Gross replacement cost	<b>3,252,335</b>				

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

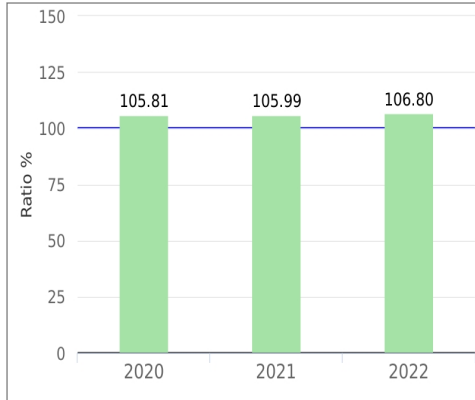
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

# Sutherland Shire Council

## Report on Infrastructure Assets

as at 30 June 2022

### Buildings and infrastructure renewals ratio



**Buildings and infrastructure renewals ratio**

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

**Commentary on result**

21/22 ratio 106.80%

This result demonstrates Council is continuing to expend renewal funds in keeping targets set in our asset management plans. Programmed renewal works are slightly higher than 100% as there are some large infrastructure upgrades underway that include a portion of renewal funding.

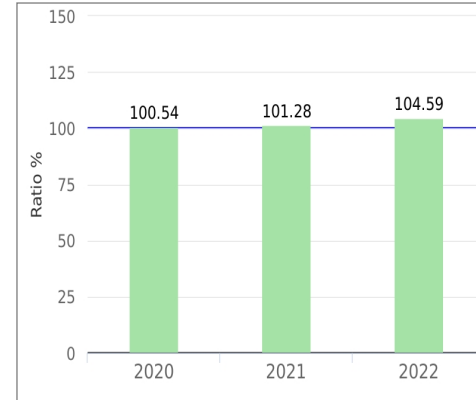
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Asset maintenance ratio



**Asset maintenance ratio**

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

**Commentary on result**

21/22 ratio 104.59%

This result shows that Council is expending an appropriate level of maintenance funds to meet required maintenance needs.

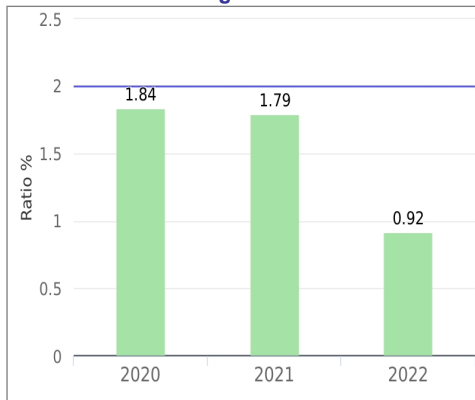
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Infrastructure backlog ratio



**Infrastructure backlog ratio**

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

**Commentary on result**

21/22 ratio 0.92%

This result is in keeping with expectations and reflects that Council is effectively managing its infrastructure. Council is taking a measured approach to funding infrastructure renewals to ensure renewal intervention occurs when the asset reaches poor condition or is no longer fit for purpose. The reduction in this ratio for 2021/22 relates to updated transport asset condition data.

Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Cost to bring assets to agreed service level



**Cost to bring assets to agreed service level**

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

**Commentary on result**

21/22 ratio 3.00%

This ratio is in keeping with expectations and demonstrates that Council can afford to fund the agreed service levels.