

SUTHERLAND SHIRE



FINANCIAL STATEMENTS

Year ended 30 June 2023
General Purpose, Special Purpose
and associated Special Schedules

09 October 2023

Sutherland Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

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 2023

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Overview

Sutherland Shire Council is constituted under the *Local Government Act 1993 (NSW)*.

The Council Chambers are located at 4-20 Eton Street, Sutherland, NSW, 2232.

The following principles of sound financial management are legislated in the *Local Government Act 1993 (NSW)* and 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.

Council has ensured that its 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.

Sutherland Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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

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

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

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

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

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

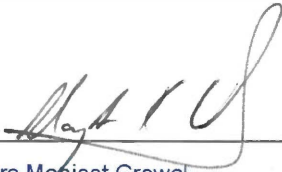
Signed in accordance with a resolution of Council made on 09 October 2023.



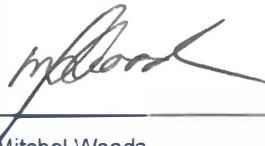
Councillor Carmelo Pesce
Mayor
09 October 2023



Councillor Carol Provan
Deputy Mayor
09 October 2023



Mrs Manjeet Grewal
Chief Executive Officer
09 October 2023



Mr Mitchel Woods
Chief Financial Officer
09 October 2023

Sutherland Shire Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Actual 2022 \$ '000
	Income from continuing operations			
184,154	Rates and annual charges	B2-1	184,566	180,280
39,911	User charges and fees	B2-2	42,720	35,411
11,745	Other revenues	B2-3	14,396	11,637
6,130	Grants and contributions provided for operating purposes	B2-4	35,804	24,022
24,150	Grants and contributions provided for capital purposes	B2-4	21,791	20,428
2,024	Interest and investment income	B2-5	9,814	2,570
6,538	Other income	B2-6	4,829	5,871
274,652	Total income from continuing operations		313,920	280,219
	Expenses from continuing operations			
118,059	Employee benefits and on-costs	B3-1	114,976	104,826
89,684	Materials and services	B3-2	101,484	85,989
89	Borrowing costs	B3-3	508	398
51,622	Depreciation, amortisation and impairment of non-financial assets	B3-4	50,985	49,732
5,996	Other expenses	B3-5	9,395	6,908
5,438	Net loss from the disposal of assets	B4-1	8,036	10,049
270,888	Total expenses from continuing operations		285,384	257,902
3,764	Operating result from continuing operations		28,536	22,317
3,764	Net operating result for the year attributable to Council		28,536	22,317
(20,386)	Net operating result for the year before grants and contributions provided for capital purposes		6,745	1,889

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 2023

	Notes	2023 \$ '000	2022 \$ '000
Net operating result for the year – from Income Statement		28,536	22,317
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<u>161,922</u>	162,339
Total items which will not be reclassified subsequently to the operating result		161,922	162,339
Total other comprehensive income for the year		161,922	162,339
Total comprehensive income for the year attributable to Council		190,458	184,656

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 2023

	Notes	2023 \$ '000	Restated 2022 \$ '000	Restated 1 July 2021 \$ '000
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	21,560	25,908	18,645
Investments	C1-2	262,603	233,827	193,270
Receivables	C1-4	24,507	21,111	16,220
Inventories	C1-5	535	324	262
Other	C1-9	7,147	1,901	2,689
Total current assets		316,352	283,071	231,086
Non-current assets				
Investments	C1-2	13,000	20,000	37,000
Receivables	C1-4	484	766	768
Infrastructure, property, plant and equipment (IPPE)	C1-6	2,941,165	2,772,347	2,603,037
Investment property	C1-7	81,355	83,655	81,855
Intangible assets	C1-8	–	–	122
Right of use assets	C2-1	3,218	4,599	5,480
Total non-current assets		3,039,222	2,881,367	2,728,262
Total assets		3,355,574	3,164,438	2,959,348
LIABILITIES				
Current liabilities				
Payables	C3-1	31,349	30,783	25,944
Contract liabilities	C3-2	4,622	4,619	3,295
Lease liabilities	C2-1	1,206	1,772	2,408
Borrowings	C3-3	1,655	2,007	1,262
Employee benefit provisions	C3-4	35,335	34,779	36,594
Provisions	C3-5	2,090	1,855	2,696
Total current liabilities		76,257	75,815	72,199
Non-current liabilities				
Lease liabilities	C2-1	2,009	2,685	2,878
Borrowings	C3-3	14,600	16,255	398
Employee benefit provisions	C3-4	708	740	753
Provisions	C3-5	8,858	6,259	5,092
Total non-current liabilities		26,175	25,939	9,121
Total liabilities		102,432	101,754	81,320
Net assets		3,253,142	3,062,684	2,878,028
EQUITY				
Accumulated surplus	C4-1	1,569,238	1,540,702	1,518,385
IPPE revaluation reserve	C4-1	1,683,904	1,521,982	1,359,643
Council equity interest		3,253,142	3,062,684	2,878,028
Total equity		3,253,142	3,062,684	2,878,028

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 2023

	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
		\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	Restated \$ '000
Opening balance at 1 July		1,540,702	1,521,982	3,062,684	1,534,042	1,335,696	2,869,738
Correction of prior period errors	G4-1	–	–	–	(15,657)	23,947	8,290
Restated opening balance		1,540,702	1,521,982	3,062,684	1,518,385	1,359,643	2,878,028
Net operating result for the year		28,536	–	28,536	22,317	–	22,317
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	161,922	161,922	–	162,339	162,339
Total comprehensive income		28,536	161,922	190,458	22,317	162,339	184,656
Closing balance at 30 June		1,569,238	1,683,904	3,253,142	1,540,702	1,521,982	3,062,684

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 2023

Original unaudited budget 2023 \$ '000		Actual 2023 \$ '000	Actual 2022 \$ '000
	Notes		
Cash flows from operating activities			
<i>Receipts:</i>			
183,889	Rates and annual charges	184,021	180,790
39,846	User charges and fees	44,451	33,948
2,067	Interest received	6,612	2,323
30,266	Grants and contributions	58,288	43,326
414	Bonds, deposits and retentions received	-	1,828
11,670	Other	33,123	28,193
<i>Payments:</i>			
(117,144)	Payments to employees	(113,958)	(106,264)
(89,465)	Payments for materials and services	(116,758)	(99,747)
(88)	Borrowing costs	(444)	(220)
-	Bonds, deposits and retentions refunded	(602)	-
(6,237)	Other	(9,594)	(2,821)
55,218	Net cash flows from operating activities	85,139	81,356
	G1-1		
Cash flows from investing activities			
<i>Receipts:</i>			
100,000	Sale of investments	207,700	170,000
508	Proceeds from sale of IPPE	748	613
-	Deferred debtors receipts	19	21
<i>Payments:</i>			
(80,000)	Purchase of investments	(229,400)	(194,450)
-	Capitalised expenditure in relation to investment property	(21)	(418)
(77,667)	Payments for IPPE	(64,633)	(63,821)
(57,159)	Net cash flows from investing activities	(85,587)	(88,055)
Cash flows from financing activities			
<i>Receipts:</i>			
-	Proceeds from borrowings	-	18,260
<i>Payments:</i>			
(2,007)	Repayment of borrowings	(2,007)	(1,658)
(2,978)	Principal component of lease payments	(1,893)	(2,640)
(4,985)	Net cash flows from financing activities	(3,900)	13,962
(6,926)	Net change in cash and cash equivalents	(4,348)	7,263
23,571	Cash and cash equivalents at beginning of year	25,908	18,645
16,645	Cash and cash equivalents at end of year	21,560	25,908
	C1-1		
-	plus: Investments on hand at end of year	275,603	253,827
16,645	Total cash, cash equivalents and investments	297,163	279,735
	C1-2		

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

These financial statements were authorised for issue by Council on 09 October 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these 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.

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

When the presentation or classification of items in the financial statements is amended in respect of changes in the current year, the comparative amounts are reclassified to enhance comparability unless the reclassification is impracticable.

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
- Gynea 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.

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:

- | | |
|--|-------------|
| • Sutherland Shire Bushfire Trust | \$2,592,496 |
| • Sutherland Shire Bushfire and State Emergency Services Facilities & Equipment Fund 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)

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2023 reporting period.

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

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2023. There was no material impact on Council's reported financial position, financial performance and/or associated financial statement disclosure.

COVID-19 Impact

The COVID-19 pandemic continued to various degrees throughout the 2022/23 financial year, however there were no Public Health Orders in place which impacted Council's operations.

There were favourable budgetary variations made throughout the year as original conservative revenue forecasts were revised up as a result of the 'post-COVID' normalisation by the community and the return of higher patronage levels of Councils' facilities and services.

Despite the challenging economic environment which has followed the COVID-19 emergency, there was no material impact on Council's Balance Sheet as overall receivables and the levels of outstanding rates and charges remained steady at pre-COVID levels.

The decline in the COVID-19 impact can be seen on Council's Income Statement where the movement in the year-on-year comparative figures are significant. This is best illustrated by the year-on-year comparatives in Leisure Centre Fees.

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000
Functions or activities										
Executive Office	–	–	992	788	(992)	(788)	–	–	85	91
Infrastructure & Operations	78,659	61,356	109,516	97,357	(30,857)	(36,001)	30,178	15,084	2,276,041	2,312,930
Planning & Growth	16,001	18,599	19,381	17,332	(3,380)	1,267	9,332	11,513	264	343
Shire Services	40,544	31,528	54,586	46,148	(14,042)	(14,620)	2,135	1,784	99,392	552,163
Corporate Support	178,716	168,736	100,909	96,277	77,807	72,459	15,950	16,069	979,792	298,911
Total functions and activities	313,920	280,219	285,384	257,902	28,536	22,317	57,595	44,450	3,355,574	3,164,438

B1-2 Components of functions or activities

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

Executive Office

- Office of the Chief Executive Officer

Infrastructure & Operations

- Assets Strategy & Delivery;
- Building Operations;
- Civil Operations;
- Fleet & Logistics;
- Open Space Operations;
- Waste Services.

Planning & Growth

- Development Assessment;
- Environmental, Health & Building;
- Environmental Science;
- Strategic Planning;
- Traffic & Public Domain Services.

Shire Services

- Business & Community;
- Childrens Services;
- Arts & Culture;
- Public Safety & Lifeguards;
- Library Services;
- Sports & Leisure Services.

Corporate Support

- Communication, Engagement & Customer;
- Corporate Governance;
- Corporate Planning & Performance
- Financial Services;
- Information Management & Technology;
- People & Culture;
- Property.

B2 Sources of income

B2-1 Rates and annual charges

	2023 \$ '000	2022 \$ '000
Ordinary rates		
Residential	124,706	121,328
Business	18,929	18,324
Less: pensioner rebates (mandatory)	(2,163)	(2,199)
Less: pensioner rebates (Council policy)	(888)	(904)
Rates levied to ratepayers	140,584	136,549
Pensioner rate subsidies received	1,184	1,206
Total ordinary rates	141,768	137,755
Annual charges (pursuant to s496, 496A, 501 & 611)		
Domestic waste management services	41,227	40,991
Stormwater management services	2,149	2,135
Section 611 charges	63	67
Less: pensioner rebates (mandatory)	(752)	(781)
Less: pensioner rebates (Council policy)	(308)	(320)
Annual charges levied	42,379	42,092
Pensioner annual charges subsidies received:		
– Domestic waste management	419	433
Total annual charges	42,798	42,525
Total rates and annual charges	184,566	180,280

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

Accounting policy

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

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

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

B2-2 User charges and fees

	Timing	2023 \$ '000	2022 \$ '000
Specific user charges (per s502 - specific 'actual use' charges)			
Waste management services (non-domestic)	1	1,583	1,523
Total specific user charges		1,583	1,523
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Building control	2	3,060	3,196
Companion animal lifetime registrations	2	594	316
Regulatory & statutory fees	2	1,984	2,385
Other	2	835	1,092
Total fees and charges – statutory/regulatory		6,473	6,989
(ii) Fees and charges – other (incl. general user charges (per s608))			
Art and cultural activities	1	839	469
Beach control	1	74	32
Public Health Inspections	2	309	202
Child care centres	1	14,484	13,930
Community venues	2	1,419	784
Entertainment facilities	2	390	–
Family day care	1	130	186
Leisure centres	1	10,522	5,766
Libraries	2	89	71
Parks and gardens	2	15	16
Restoration charges	2	822	331
Roads and engineering approvals	2	1,108	1,288
Sport and recreational facilities	2	4,463	3,824
Total fees and charges – other		34,664	26,899
Total other user charges and fees		41,137	33,888
Total user charges and fees		42,720	35,411
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		27,152	21,905
User charges and fees recognised at a point in time (2)		15,568	13,506
Total user charges and fees		42,720	35,411

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.

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

	Timing	2023 \$ '000	2022 \$ '000
Art Gallery merchandise	2	154	118
Bus shelter advertising	1	899	809
Casual leasing - events	2	102	56
Commissions and agency fees	2	122	129
Container deposit scheme	2	–	442
Diesel rebate	2	268	226
Ex gratia rates	2	86	84
Fines	2	7,807	6,471
Insurance claims recoveries	2	130	129
Rental income (non investment properties)	1	2,454	1,590
Legal fees recovery – rates and charges	2	127	198
Legal fees recovery – other	2	173	109
Lucas Heights additional tonnage	1	766	525
Recycling income (non-domestic)	1	75	53
Reimbursements	1	70	54
Sponsorships	2	165	77
Sales – general	2	247	214
Sales – plant nursery	2	263	220
Other	2	488	133
Total other revenue		14,396	11,637

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	4,264	3,031
Other revenue recognised at a point in time (2)	10,132	8,606
Total other revenue	14,396	11,637

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

		Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
	Timing				
General purpose grants and non-developer contributions (untied)					
Current year allocation					
Financial Assistance Grant – general component	2	1,379	2,629	–	–
Financial Assistance Grant – local roads component	2	643	1,105	–	–
Payment in advance - future year allocation ¹					
Financial Assistance Grant – general component	2	5,788	4,035	–	–
Financial Assistance Grant – local roads component	2	2,513	1,707	–	–
Amount recognised as income during current year					
		10,323	9,476	–	–
Special purpose grants and non-developer contributions (tied)					
Child care	2	864	521	–	–
Contributions to works	2	49	262	–	18
Cronulla Wastewater Reuse Scheme	2	213	213	–	–
Emergency services	2	1,248	1,281	–	30
Engineering and works	2	2,792	43	10,010	6,929
Library – per capita	2	724	672	–	–
Lucas Heights Resource Recovery Park	2	5,528	5,367	–	–
Other contributions	2	40	337	–	1
Other specific grants	2	579	905	2	462
Parks and gardens	2	316	232	112	–
Port Hacking River channel dredging	2	1,970	625	–	–
Sporting grounds	2	–	–	916	530
Storm/flood damage	2	–	1,085	–	–
Street lighting	2	399	391	–	–
Transport (other roads and bridges funding)	2	128	131	324	–
Transport (Roads to Recovery Program)	2	1,017	934	–	–
Transport (Transport for NSW works)	2	9,488	1,249	689	486
Waste and sustainability	2	–	223	–	–
Waterways	2	126	75	542	–
Total special purpose grants and non-developer contributions – cash					
		25,481	14,546	12,595	8,456

⁽¹⁾ \$8.301m of the 2023-24 Financial Assistance Grant from the Commonwealth Government was received in June 2023 and hence is reported as 2022-23 income although it relates to 2023-24 financial year.

B2-4 Grants and contributions (continued)

		Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
	Timing				
Non-cash contributions					
Asset Dedications – subdivisions ((other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	2	–	–	–	730
Total other contributions – non-cash		–	–	–	730
Total special purpose grants and non-developer contributions (tied)		25,481	14,546	12,595	9,186
Total grants and non-developer contributions		35,804	24,022	12,595	9,186
Comprising:					
– Commonwealth funding		11,500	10,666	1,493	4,554
– State funding		18,443	7,475	10,988	3,789
– Other funding		5,861	5,881	114	843
		35,804	24,022	12,595	9,186

Developer contributions

	Notes	Timing	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Developer contributions: (s7.11 & s7.12 - EP&A Act):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	3,223	3,447
S 7.12 – fixed development consent levies		2	–	–	5,973	7,795
Total developer contributions – cash			–	–	9,196	11,242
Total developer contributions			–	–	9,196	11,242
Total grants and contributions			35,804	24,022	21,791	20,428
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			35,804	24,022	21,791	20,428
Total grants and contributions			35,804	24,022	21,791	20,428

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:

	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Grants				
Unspent funds at 1 July	4,766	3,030	4,399	3,813
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	11,508	2,535	7,486	3,929
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(3,185)	(799)	(1,944)	(3,343)
Unspent grants at 30 June	13,089	4,766	9,941	4,399
Contributions				
Unspent funds at 1 July	-	-	86,258	80,584
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	19,939	-	11,210	17,614
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(16,187)	-	(22,005)	(11,940)
Unspent contributions at 30 June	3,752	-	75,463	86,258

B2-4 Grants and contributions (continued)

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

	2023 \$ '000	2022 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges	483	478
– Cash and investments	8,969	2,090
Long Term Debtors	2	2
Gain on Investments	360	–
Total interest and investment income (losses)	9,814	2,570

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 28 March 2022, the NSW Minister for Local Government set the maximum interest rate for overdue rates and charges at 6% for the period 1 July 2022 to 30 June 2023. Council resolved to apply this maximum amount.

B2-6 Other income

	2023 \$ '000	2022 \$ '000
Fair value increment on investment properties	–	1,382
Rental Income	4,744	4,489
Fair value Increment on Investments	85	–
Total other income	4,829	5,871

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2023 \$ '000	2022 \$ '000
Salaries and wages	98,244	93,618
Employee termination costs – redundancies	212	359
Employee leave entitlements (ELE)	5,530	2,829
Superannuation	10,620	9,972
Workers' compensation insurance	5,842	3,397
Fringe benefit tax (FBT)	60	16
Protective clothing	206	233
Other	21	–
Total employee costs	120,735	110,424
Less: capitalised costs	(5,759)	(5,598)
Total employee costs expensed	114,976	104,826

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

	Notes	2023 \$ '000	2022 \$ '000
Raw materials and consumables		12,720	11,567
Consultancy costs		3,832	3,613
Contractor costs		28,493	22,355
Advertising		1,103	342
Animal shelter expenses		127	111
Artist fees – Hazelhurst		184	292
Audit Fees	F2-1	398	341
Bank charges		488	465
Councillor and Mayoral fees and associated expenses	F1-2	694	587
Entertainment hire / service		699	537
Hire of plant, vehicles and equipment		767	443
Insurance premiums and claims		2,735	2,310
Labour hire		7,538	5,297
Leases of low value assets		635	123
Legal expenses - debt recovery		111	194
Legal expenses - other		448	387
Legal expenses - planning and development		317	165
Minor Repairs and maintenance		117	442
Office expenses and printing		793	1,023
Other expenses		489	346
Postage		475	420
Property management		307	256
Refund Unexpended Grants		–	13
Rental payments (lease term expired)		1,584	1,127
Revenue NSW - Fine Processing		968	646
Software & IT Licences		4,101	3,239
Street lighting		3,353	2,958
Subscriptions and publications		982	819
Telephone and communications		1,069	939
Tipping fees		20,033	20,410
Training costs (other than salaries and wages)		826	556
Travel expenses		33	8
Utilities – electricity		1,961	1,601
Utilities – gas		1,515	540
Utilities – water		957	927
Valuation fees – other		96	76
Valuation fees – rates		401	381
Vehicle registration		135	133
Total materials and services		101,484	85,989

Accounting policy

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

B3-3 Borrowing costs

	2023 \$ '000	2022 \$ '000
Interest bearing liability costs		
Interest on loans	500	245
Interest on security deposits	178	176
Interest on leases	123	132
Total interest bearing liability costs	801	553
Less: capitalised costs	(293)	(155)
Total interest bearing liability costs expensed	508	398
Total borrowing costs expensed	508	398

Accounting policy

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

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

	Notes	2023 \$ '000	2022 \$ '000
Depreciation and amortisation			
Plant and equipment		1,373	1,342
Office equipment		80	54
Furniture and fittings		42	43
Infrastructure:	C1-6		
– Buildings		11,109	10,168
– Roads		14,038	13,357
– Bridges		210	116
– Footpaths		1,402	1,017
– Stormwater drainage		7,549	9,253
– Swimming pools		531	494
– Other open space/recreational assets		10,592	9,434
– Other infrastructure		814	733
Other assets:			
– Library books		1,213	1,029
Right of use assets	C2-1	2,032	2,692
Total gross depreciation and amortisation costs		50,985	49,732
Total depreciation, amortisation and impairment for non-financial assets		50,985	49,732

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

	2023 \$ '000	2022 \$ '000
Impairment of receivables	117	83
Fair value decrement on investment properties	2,321	–
Fair value decrement on investments through profit and loss	9	893
Contributions/levies to other levels of government		
– Department of Planning	467	459
– NSW Fire and Rescue	3,512	3,082
– NSW Rural Fire Service	1,134	850
– NSW State Emergency Services	622	338
Donations, contributions and assistance to other organisations (Section 356)	1,213	1,203
Total other expenses	9,395	6,908

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

	Notes	2023 \$ '000	2022 \$ '000
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	245
Less: carrying amount of property assets sold/written off		–	(200)
Gain (or loss) on disposal		–	45
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		758	368
Less: carrying amount of plant and equipment assets sold/written off		(291)	(227)
Gain (or loss) on disposal		467	141
Gain (or loss) on disposal of infrastructure			
	C1-6		
Less: carrying amount of infrastructure assets written off		(8,493)	(10,113)
Gain (or loss) on disposal		(8,493)	(10,113)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		207,700	170,000
Less: carrying amount of investments sold/redeemed/matured		(207,700)	(170,000)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of intangible assets			
	C1-8		
Proceeds from disposal – intangible assets		–	(122)
Gain (or loss) on disposal		–	(122)
Gain (or loss) on disposal of artwork			
Proceeds from disposal – artwork		(10)	–
Gain (or loss) on disposal		(10)	–
Net gain (or loss) from disposal of assets		(8,036)	(10,049)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's Original Budget was adopted by the Council on 27/06/2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

The 2022/23 Original Budget was amended on four (4) occasions:

- 2021/22 Funding Continuation: GOV021-22 (22/08/2022)
- Quarterly Budget Review - September 2022: COR070-22 (21/11/2022)
- Quarterly Budget Review - December 2022: COR-004-23 (20/02/2023)
- Quarterly Budget Review - March 2023: GOV014-23 (22/05/2023)

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
Rates and annual charges	184,154	184,566	412	0% F
User charges and fees	39,911	42,720	2,809	7% F
Other revenues	11,745	14,396	2,651	23% F
Items which produced a significant variance to budget include: higher than forecasted revenue from Penalty Infringement Notices (\$1.4M) and Commercial Property Rental Income (\$0.4M). Both of these items are a result of these areas transitioning back to normal operations in a post-COVID environment.				
Operating grants and contributions	6,130	35,804	29,674	484% F
Unconfirmed operating grants and contributions are not included in Council's Original Budget and are incorporated through relevant Quarterly Budget Reviews when they are received or when a funding agreement has been entered in to.				
Two items which significantly contributed to the budget variance were; the receipt of 100% of the 2023/24 Financial Assistance Grant which was paid in advance during the 2022/23 financial year (\$8.3M) and the receipt of the NSW Government Regional and Local Roads Repair Program grant to fund expenditure relating to significant weather events experienced in the financial year (\$8.9m).				
Capital grants and contributions	24,150	21,791	(2,359)	(10)% U
The key factor for the unfavourable variance to budget is due to two Grant Funded projects that had been marked for construction at the time of the Original Budget adoption. These projects were then subsequently rephased into the 2024 Financial Year along with their corresponding grant income.				
Capital grants and contributions received or obtained throughout the financial year totalled \$21.8M and were in the areas of road asset projects, voluntary planning contributions, community building and open space assets.				
Interest and investment revenue	2,024	9,814	7,790	385% F
The official RBA cash rate increased from 0.85% to 4.10% across the financial year. This sharp increase in the cash rate combined with a sustained high level of cash, resulted in high levels of investment income.				
Other income	6,538	4,829	(1,709)	(26)% U
This unfavourable variance relates to the fair value movement of Council's Investment Properties. An increment of \$1.6M was included in the Original Budget, however the current market values of the properties resulted in a decrement of \$2.3M.				

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Expenses				
Employee benefits and on-costs	118,059	114,976	3,083	3% F
Materials and services	89,684	101,484	(11,800)	(13)% U
This unfavourable variance is driven by increased volumes in operations that were not included in Council's Original Budget.				
Significant movements include Trees Maintenance due to weather \$2.2M, Children Services Operations \$2.1M, Domestic Waste Operations \$1.7M and The Pavilion Performing Arts Centre Operations \$1.2M.				
Both income and expenditure for unconfirmed operating grants and contributions are not included in Council's Original Budget and are incorporated through relevant Quarterly Budget Reviews when they are received or when a funding agreement has been entered in to. Significant associated items include: Port Hacking Channel Dredging (\$2.3M), and unexpended grants from the 2021/22 financial year (\$5.9M).				
Borrowing costs	89	508	(419)	(471)% U
The interest expense on the loan relating to 'The Pavilion' had been budgeted to be 100% capitalised. However, following the commissioning of the asset during the year, and to comply with accounting standards, a larger amount of these costs were required to be expensed.				
Depreciation, amortisation and impairment of non-financial assets	51,622	50,985	637	1% F
Other expenses	5,996	9,395	(3,399)	(57)% U
This unfavourable variance relates to the fair value movement of Council's Investment Properties. An increment of \$1.6M was included in the Original Budget, however the current market values of the properties resulted in a decrement of \$2.3M.				
In addition to this, the removal of the subsidy relating to increases to the Emergency Services Levy (ESL), levied by the State Government, resulted in an unfavourable variance of \$0.998M.				
Net losses from disposal of assets	5,438	8,036	(2,598)	(48)% U
There were asset disposals required as part of the refurbishment of the former Sutherland Entertainment Centre. These disposals were not factored in during the development of the original budget which have resulted in the unfavourable variance.				
Cash flows from operating activities	55,218	85,139	29,921	54% F
This favourable variance is primarily due to the operating grants and contributions.				
Unconfirmed operating grants and contributions are not included in Council's Original Budget and are incorporated through relevant Quarterly Budget Reviews when they are received or when a funding agreement has been entered in to.				
Two items which significantly contributed to the budget variance were; the receipt of 100% of the 2023/24 Financial Assistance Grant which was paid in advance during the 2022/23 financial year (\$8.3M) and the receipt of the NSW Government Regional and Local Roads Repair Program grant to fund expenditure relating to significant weather events experienced in the financial year (\$8.9m).				
Cash flows from investing activities	(57,159)	(85,587)	(28,428)	50% U
The unfavourable performance against budget reflects the lower than anticipated capital works expenditure. This has resulted in sustained higher levels of cash and an increase in the number of investments originally forecast in Council's Original Budget.				
Cash flows from financing activities	(4,985)	(3,900)	1,085	(22)% F
The favourable performance against budget reflects lower than anticipated vehicle leases. The supply chain issues associated with COVID disruptions are still present in the vehicle/plant supply chain and as a result there are 10 Waste Vehicles that were included in Council's Original Budget there are not in the actuals for leasing.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2023 \$ '000	2022 \$ '000
Cash assets		
Cash at bank ¹	693	368
Cash equivalent assets		
– Deposits at call	20,867	25,540
Total cash and cash equivalents	21,560	25,908

(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	21,560	25,908
Balance as per the Statement of Cash Flows	21,560	25,908

Accounting policy

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash at bank, 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 in the Statement of Financial Position.

C1-2 Financial investments

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Financial assets at fair value through the profit and loss				
Floating Rate Notes	41,506	–	45,595	–
Fixed Rate Bonds	3,097	–	4,232	–
Total	44,603	–	49,827	–
Debt securities at amortised cost				
Term Deposits	218,000	13,000	184,000	20,000
Total	218,000	13,000	184,000	20,000
Total financial investments	262,603	13,000	233,827	20,000
Total cash assets, cash equivalents and investments	284,163	13,000	259,735	20,000

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

	2023 \$ '000	2022 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	297,163	279,735
Less: Externally restricted cash, cash equivalents and investments	<u>(150,813)</u>	<u>(150,094)</u>
Cash, cash equivalents and investments not subject to external restrictions	<u>146,350</u>	<u>129,641</u>

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 ¹	70,596	70,903
Domestic waste management ²	44,792	45,364
Stormwater management ³	4,243	3,755
Cronulla CBD Special Rate ⁴	1,514	1,514
Unexpended Grants and Contributions ⁵	21,948	9,894
Lucas Heights Resource Recovery Park VPA ⁶	3,523	13,955
Australand Wetlands VPA ⁷	2,959	2,959
Kirrawee South Village VPA ⁸	341	350
Woolooware Bay Town Centre VPA ⁹	897	1,400
Total external restrictions	<u>150,813</u>	<u>150,094</u>

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) Funds related to contributions for local infrastructure collected under s7.11 and s7.12 of the *Environment Planning & Assessment Act 1979*
- (2) Funds related to Domestic Waste Management Services which are externally restricted in accordance with s504 of the *Local Government Act 1993*.
- (3) Funds related to Stormwater Management Charges which have been raised in accordance with s496A of the *Local Government Act 1993*.
- (4) Funds related to Special Rates externally restricted in accordance with s410 of the *Local Government Act 1993*.
- (5) Funds related to unexpended Grants and Contributions externally restricted in accordance with s409(3)(c) of the *Local Government Act 1993*.
- (6) Monetary contributions in accordance with the Voluntary Planning Agreement with Cleanaway Waste Management Limited
- (7) Monetary contributions in accordance with the Voluntary Planning Agreement with Australand Kurnell & Breen Holdings Pty Ltd
- (8) Monetary contributions in accordance with the Voluntary Planning Agreement with South Village Pty Ltd
- (9) Monetary contributions in accordance with the Voluntary Planning Agreement with Prime Woolooware 4 Pty Ltd

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

	2023 \$ '000	2022 \$ '000
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	146,350	129,641
Less: Internally restricted cash, cash equivalents and investments	(108,554)	(91,162)
Unrestricted and unallocated cash, cash equivalents and investments	37,796	38,479
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Operational		
- Security Bonds, Deposits & Retentions ¹⁰	17,793	18,209
- Employee Leave Entitlements ¹¹	11,307	8,685
- Prepaid Financial Assistance Grant ¹²	8,301	5,741
- Sporting Facilities Development Fund ¹³	-	931
- Sylvania Waters Dredging ¹⁴	2,000	1,500
- SSHED Business Accelerator ¹⁵	-	70
- Elections ¹⁶	1,033	553
Capital		
- Child Care Centres - Asset Renewal Fund ¹⁷	4,100	4,608
- Cronulla Wastewater Reuse Scheme - Asset Renewal Fund ¹⁸	164	204
- Cronulla Town Centre Refurbishment Project ¹⁹	12,632	5,756
- Capital Works in Progress ²⁰	6,004	3,777
Strategy Funds		
- Property Strategy Reserve ²¹	9,527	8,666
- Climate Strategy Reserve ²²	3,848	4,851
- Leisure Centre Strategy Reserve ²³	1,965	2,292
- ICT Strategy Reserve ²⁴	6,769	7,390
- Library Strategy Reserve ²⁵	869	1,013
- Community Venues Strategy Reserve ²⁶	269	624
- Capital Works Reserve ²⁷	5,952	7,831
- Future Budgets Reserve ²⁸	1,785	6,848
- Strategic Priorities Reserve ²⁹	12,815	-
- Informing Strategies ³⁰	1,421	1,613
Total internal allocations	108,554	91,162

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 (Note C3-1).

(11) 100% of Employee Leave Entitlements for employees aged 60 years and older (Note C3-4).

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

(13) Council resolved to dissolve the 'Sporting Facilities Development Fund' in November 2022 (SER021-22).

(14) Reserve established to fund the future obligations for Sylvania Waters canal dredging (WKS036-15).

(15) Sinking Fund for the former 'Sutherland Shire Hub for Economic Development' (SSHED) facility. Funds owned equally by Council and the University of Wollongong.

(16) Funds allocated annually for the quadrennial Local Government elections (FIN083-06).

(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 projects which were Works in Progress from previous financial year (COR031-23).

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

- (21) Funds identified to fund the implementation of Council's adopted Property Strategy (April 2022).
- (22) Funds identified to fund the implementation of Council's future Climate Strategy.
- (23) Funds identified to fund the implementation of Council's Draft Leisure Centre Strategy (May 2023).
- (24) Funds identified to fund the implementation of Council's adopted Information, Customer & Technology Strategy (June 2022)
- (25) Funds identified to fund the implementation of Council's adopted Library Strategy (August 2022).
- (26) Funds identified to fund the implementation of Council's adopted Community Venues Strategy (October 2022).
- (27) Funds reserved for priority capital projects using funds identified during quarterly budget reviews (BDS057-14).
- (28) Budget savings reserved for unfunded priority projects in future year budgets (FIN083-06).
- (29) Funds allocated for the implementation of Informing Strategies as part of Council's Integrated Planning & Reporting Framework.
- (30) Funds allocated to the development of future Informing Strategies as part of Council's Integrated Planning & Reporting Framework.

	2023	2022
	\$ '000	\$ '000

(c) Unrestricted and unallocated

Unrestricted and unallocated cash, cash equivalents and investments	37,796	38,479
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C1-4 Receivables

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Rates and annual charges	7,839	439	6,797	708
Interest and extra charges	1,041	–	1,174	–
User charges and fees	4,770	–	4,043	–
Lucas Heights Resource Recovery Park	2,245	–	3,261	–
Accrued interest on investments	4,207	–	872	–
Loans Receivables - Sporting Groups	13	45	19	58
Fines Receivable	2,007	–	1,260	–
Government grants and subsidies	1,817	–	2,364	–
Net GST receivable	1,533	–	2,165	–
Other receivables	55	–	74	–
Section 611 Charges	96	–	99	–
Total	25,623	484	22,128	766
Less: provision for impairment				
Rates and annual charges	(266)	–	(256)	–
User charges and fees	(165)	–	(761)	–
Fines	(685)	–	–	–
Total provision for impairment – receivables	(1,116)	–	(1,017)	–
Total net receivables	24,507	484	21,111	766

	2023 \$ '000	2022 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	1,017	1,088
+ new provisions recognised during the year	222	333
– amounts already provided for and written off this year	(123)	(404)
Balance at the end of the year	1,116	1,017

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.

C1-4 Receivables (continued)

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

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
(i) Inventories at cost				
Stores and materials ¹	535	-	324	-
Total inventories at cost	535	-	324	-
Total inventories	535	-	324	-

(1) Depot Store, Leisure Centre and Hazelhurst Art Gallery

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 2022			Asset movements during the reporting period							At 30 June 2023 ³		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Depreciation expense	Carrying value of disposals	Adjustments and transfers ²	Tfrs from/(to) investment properties	Revaluation increments/(decrements)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount ³
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	51,719	–	51,719	27,412	5,685	–	(187)	(33,254)	(3)	–	51,372	–	51,372
Furniture and fittings	748	(439)	309	–	–	(42)	–	–	–	–	748	(481)	267
Office equipment	1,478	(931)	547	–	221	(80)	–	15	–	–	1,714	(1,011)	703
Plant and equipment	18,049	(8,142)	9,907	–	1,200	(1,373)	(291)	–	–	–	17,345	(7,902)	9,443
Land:													
– Community land	214,103	–	214,103	–	–	–	–	(93)	–	46,471	260,481	–	260,481
– Crown land	84,165	–	84,165	–	–	–	–	–	–	18,407	102,572	–	102,572
– Land under roads (post 30/6/08)	17,152	–	17,152	–	–	–	–	–	–	8,998	26,150	–	26,150
– Operational land	262,972	–	262,972	–	3,000	–	–	93	–	28,651	294,716	–	294,716
Infrastructure:													
– Buildings	479,627	(191,562)	288,065	14,135	2,001	(11,109)	(8,338)	30,242	–	17,872	546,444	(213,576)	332,868
– Swimming pools	16,133	(6,484)	9,649	–	–	(531)	–	56	–	652	17,338	(7,512)	9,826
– Roads	1,057,124	(297,593)	759,531	5,944	–	(14,038)	(36)	1,105	–	43,626	1,125,967	(329,835)	796,132
– Bridges	17,778	(3,740)	14,038	–	–	(210)	–	–	–	816	18,827	(4,183)	14,644
– Footpaths	120,347	(48,726)	71,621	1,462	3	(1,402)	–	116	–	4,130	129,006	(53,076)	75,930
– Bulk earthworks (non-depreciable)	206,227	–	206,227	–	–	–	–	–	–	12,168	218,395	–	218,395
– Other open space/recreational assets	262,723	(73,266)	189,457	414	427	(10,592)	(120)	1,562	–	11,299	281,591	(89,144)	192,447
– Other infrastructure	39,347	(9,931)	29,416	236	849	(814)	–	101	–	1,864	43,100	(11,448)	31,652
– Stormwater drainage	955,762	(396,258)	559,504	452	–	(7,549)	–	41	–	(33,032)	793,945	(274,529)	519,416
Other assets:													
– Artworks	137	–	137	–	–	–	(10)	–	–	–	127	–	127
– Heritage collections	483	–	483	–	25	–	–	–	–	–	508	–	508
– Library books	7,605	(4,260)	3,345	–	1,368	(1,213)	–	16	–	–	8,989	(5,473)	3,516
Total infrastructure, property, plant and equipment	3,813,679	(1,041,332)	2,772,347	50,055	14,779	(48,953)	(8,982)	–	(3)	161,922	3,939,335	(998,170)	2,941,165

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

(2) Adjustments and transfers relates to the capitalised work in progress

(3) Net carrying amount is the Written Down Value (WDV)

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

	At 1 July 2021			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Depreciation expense	Carrying value of disposals	Adjustments and transfers ²	Tfrs from/(to) investment properties	Revaluation increments /(decrements)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
By aggregated asset class	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	22,910	–	22,910	32,072	5,555	–	(1,491)	(7,292)	(35)	–	51,719	–	51,719
Plant and equipment	17,435	(7,347)	10,088	–	1,097	(1,342)	(227)	291	–	–	18,049	(8,142)	9,907
Office equipment	1,312	(877)	435	–	166	(54)	–	–	–	–	1,478	(931)	547
Furniture and fittings	699	(396)	303	–	49	(43)	–	–	–	–	748	(439)	309
Land:													
– Operational land	262,459	–	262,459	–	570	–	(57)	–	–	–	262,972	–	262,972
– Community land	213,960	–	213,960	–	286	–	(143)	–	–	–	214,103	–	214,103
– 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
Infrastructure:													
– Buildings	457,274	(174,767)	282,507	71	4,470	(10,168)	(4,271)	771	–	14,685	479,627	(191,562)	288,065
– 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
– Stormwater drainage	886,366	(367,821)	518,545	814	928	(9,253)	–	177	–	48,293	955,762	(396,258)	559,504
– Swimming pools	14,915	(5,689)	9,226	406	24	(494)	–	–	–	487	16,133	(6,484)	9,649
– 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
Other assets:													
– 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
– Artworks	137	–	137	–	–	–	–	–	–	–	137	–	137
Total infrastructure, property, plant and equipment	3,571,876	(968,839)	2,603,037	47,602	16,984	(47,040)	(10,540)	–	(35)	162,339	3,813,679	(1,041,332)	2,772,347

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

(2) Adjustments and transfers relates to capitalised work in progress.

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

Accounting policy

Infrastructure, property, plant and equipment (IPPE) is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes). IPPE 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 Land (Community, Crown and Operational) and Stormwater Drainage asset classes were revalued. Fair value adjustments were processed for the Land Under Roads, Buildings, Roads, Bridges, Footpaths, Bulk earthworks, Swimming pools 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:

Plant and equipment	Years	Other equipment	Years
Office equipment	5-15	Playground equipment	15
Furniture & Fittings	5-20	Benches, seats etc.	24-27
Computer equipment	3-15		
Motor Vehicles	3-6	Other Infrastructure Assets	
Heavy plant/road making equipment	4-15	Bulk earthworks	infinite
Other plant and equipment	2-33	Swimming pools shells	50
		Other open space / recreational assets	5-80
Transportation assets		Other structures	10-100
Sealed roads	15-140	Foreshore Facilities	15-125
Sealed roads: structure base	50-200		
Bridges: pedestrian	50-100	Stormwater assets	
Bridges: road	50-100	Culverts	100-125
Road pavements carparks	15-200	Pits and Headwalls	100
Kerb and gutter	62-100	Water quality devices	10-190
Footpaths on roads	50-125	Rehab, Creeks & Wetland Structural work	10-100
Pathways not on roads	20-100		
Retaining Walls	29-150	Buildings	20-100
Traffic Facilities	15-96	Library Books	5

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)

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

The NSW Local Government Code of Accounting Practice and Financial Reporting states that: *Councils need to assess whether they control any rural firefighting equipment in accordance with Australian Accounting Standards and recognise in their financial statements any material assets under their control and state the relevant accounting policy in relation to the treatment.*

Council has made the assessment that it does not control these assets due the fact that it does not make decisions in relation to the purchase, operation, deployment, usage or disposal of these assets and also does not have physical custody of them.

Therefore, Council is of the view that it does not have 'control' of these assets which is required under the Accounting Standards for them to be recognised in the accounts. Council has also formalised this position via resolution (MM011-22).

C1-7 Investment properties

	2023 \$ '000	2022 \$ '000
Owned investment property		
Investment Properties - General Fund	75,055	76,855
Investment Properties - Developer Contributions Fund	6,300	6,800
Total owned investment property	81,355	83,655
Owned investment property		
At fair value		
Opening balance at 1 July	83,655	81,855
Net gain/(loss) from fair value adjustments	(2,321)	1,382
Transfers from/(to) owner-occupied property (Note C1-6)	3	35
Other movements	18	383
Closing balance at 30 June	81,355	83,655

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:

	2023 \$ '000	2022 \$ '000
IT development and Software		
Opening values at 1 July		
Gross book value	–	148
Accumulated amortisation	–	(26)
Net book value – opening balance	–	122
Movements for the year		
Other movements	–	(122)
Total intangible assets – net book value	–	–

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

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Prepayments	2,854	-	1,901	-
Sale and Leaseback Vehicles	4,293	-	-	-
Total other assets	7,147	-	1,901	-

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 leased a building in Station Street Engadine. The lease was for a three year term and was subleased under an operating lease to a community group for the permitted use as a community facility (provision of youth services). The lease was surrendered in August 2022.

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

	Plant & Equipment \$ '000	Garbage Trucks \$ '000	Office equipment \$ '000	Gym Equipment \$ '000	Buildings \$ '000	Motor Vehicles \$ '000	Total \$ '000
2023							
Opening balance at 1 July	781	2,286	330	303	8	891	4,599
Additions to right-of-use assets	–	–	520	–	–	131	651
Depreciation charge	(183)	(1,056)	(420)	(113)	(8)	(252)	(2,032)
Balance at 30 June	598	1,230	430	190	–	770	3,218
2022							
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)
Balance at 30 June	781	2,286	330	303	8	891	4,599

(b) Lease liabilities

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Buildings	–	–	4	–
Garbage trucks	526	698	1,014	1,224
Gym equipment	102	68	114	170
Office equipment	161	275	246	17
Motor Vehicles	238	546	220	673
Plant and equipment	179	422	174	601
Total lease liabilities	1,206	2,009	1,772	2,685

C2-1 Council as a lessee (continued)

(c) (i) The maturity analysis

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

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
2023					
Cash flows	1,204	2,010	–	3,214	3,214
2022					
Cash flows	1,772	2,685	–	4,457	4,457

(d) Income Statement

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

	2023 \$ '000	2022 \$ '000
Interest on lease liabilities	123	132
Depreciation of right of use assets	2,032	2,692
Expenses relating to short-term leases	1,584	1,127
Expenses relating to Peppercorn leases	1	1
	3,740	3,952

(e) Statement of Cash Flows

Total cash outflow for leases	2,023	2,768
	2,023	2,768

C2-1 Council as a lessee (continued)

(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).

	2023 \$ '000	2022 \$ '000
--	-----------------	-----------------

(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)	4,744	4,489
Total income relating to operating leases for investment property assets	4,744	4,489

Operating lease expenses

Direct operating expenses that did not generate rental income	190	214
Total expenses relating to operating leases	190	214

Repairs and maintenance: investment property

Other	8	8
Total repairs and maintenance: investment property	8	8

(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	4,681	4,203
1–2 years	2,625	2,471
2–3 years	2,130	2,170
3–4 years	2,066	1,711
4–5 years	1,979	1,663
> 5 years	96,483	92,576
Total undiscounted lease payments to be received	109,964	104,794

C2-2 Council as a lessor (continued)

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Prepaid rates	2,224	–	2,006	–
Goods and services	5,403	–	4,804	–
Interest on leases	12	–	17	–
Accrued expenses:				
– Borrowings	69	–	–	–
– Interest on bonds and deposits	480	–	–	–
– Salaries and wages	1,986	–	1,492	–
– Other expenditure accruals	2,257	–	3,054	–
Payments received in advance	104	–	77	–
Security bonds, deposits and retentions	17,793	–	18,395	–
Superannuation	1,021	–	938	–
Total payables	31,349	–	30,783	–

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

	2023 \$ '000	2022 \$ '000
The following liabilities, even though classified as current, are not expected to be all settled in the next 12 months.		
Payables – security bonds, deposits and retentions	12,501	12,596
Total payables	12,501	12,596

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

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Grants received in advance:				
Unexpended capital grants (to construct Council controlled assets) ¹	–	–	314	–
Total grants received in advance	–	–	314	–
User fees and charges received in advance:				
Child care	585	–	297	–
Development fees	1,169	–	1,000	–
Facility bookings	1,176	–	1,337	–
Hazelhurst gallery workshops	190	–	172	–
Leisure centre memberships ²	130	–	511	–
Property rentals	1,116	–	857	–
'The Pavilion' Promoter Sales	151	–	–	–
Other	105	–	131	–
Total user fees and charges received in advance	4,622	–	4,305	–
Total contract liabilities	4,622	–	4,619	–

(1) The contract liability relates to capital grants received under an enforceable contract which requires Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(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.

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

	2023 \$ '000	2022 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	314	–
Total revenue recognised that was included in the contract liability balance at the beginning of the period	314	–

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

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Loans – secured ¹	1,655	14,600	2,007	16,255
Total borrowings	1,655	14,600	2,007	16,255

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

(a) Changes in liabilities arising from financing activities

	2022 Opening Balance \$ '000	Cash flows \$ '000	2023 Closing balance \$ '000
Loans – secured	18,262	(2,007)	16,255
Lease liability (Note C2-1b)	4,457	(1,242)	3,215
Total liabilities from financing activities	22,719	(3,249)	19,470

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

(b) Financing arrangements

	2023 \$ '000	2022 \$ '000
Total facilities		
Bank overdraft facilities ¹	750	750
Credit cards/purchase cards	120	120
Total financing arrangements	870	870
Undrawn facilities		
– Bank overdraft facilities	750	750
– Credit cards/purchase cards	69	75
Total undrawn financing arrangements	819	825

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

	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Annual leave	13,823	–	13,408	–
Sick leave	1,142	–	1,356	–
Long service leave	20,165	708	19,510	740
Gratuities	205	–	505	–
Total employee benefit provisions	35,335	708	34,779	740

	2023	2022
	\$ '000	\$ '000

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employee benefits	20,247	21,215
	20,247	21,215

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

	2023 Current \$ '000	2023 Non-Current \$ '000	2022 Current \$ '000	2022 Non-Current \$ '000
Other provisions				
Self insurance – workers compensation	1,870	8,800	1,588	5,977
Self insurance – public liability	220	58	267	282
Sub-total – other provisions	2,090	8,858	1,855	6,259
Total provisions	2,090	8,858	1,855	6,259

Movements in provisions

	Other provisions	
	Self insurance \$ '000	Total \$ '000
2023		
At beginning of year	8,114	8,114
Additional provisions	2,834	2,834
Total other provisions at end of year	10,948	10,948
2022		
At beginning of year	7,788	7,788
Additional provisions	841	841
Amounts used (payments)	(515)	(515)
Total other provisions at end of year	8,114	8,114

C3-5 Provisions (continued)

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 2023.

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

IPPE Revaluation reserve

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

D Council structure

D1 Interests in other entities

D1-1 Interests in associates

The Pavilion: Performing Arts Centre Sutherland Ltd; a public company limited by guarantee was registered on 18 May 2023.

The purpose of the new company is to ensure that Sutherland's two key performing arts assets, The Pavilion: Performing Arts Centre Sutherland and the Sutherland Arts Theatre are optimised to create the greatest value for our community and stakeholders. A fit-for-purpose operating model, skilled and experienced staff, and an expert board of governance with industry knowledge, networks and expertise in the management of cultural venues will ensure our community gets full value from a significant capital investment. A not-for-profit company limited by guarantee will ensure the new company is empowered to maximise partnership opportunities and self-generated revenues from philanthropic giving, respond with speed and agility to new cultural initiatives as they arise, and build a dynamic and responsive live performance hub for the Sutherland Shire community.

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

	2023	2022
	\$ '000	\$ '000
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	2,526	2,299
Impact of a 10% movement in price of investments		
– Equity / Income Statement	4,460	4,559

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.

	Not yet overdue \$ '000	overdue rates and annual charges < 5 years \$ '000	≥ 5 years \$ '000	Total \$ '000
2023				
Gross carrying amount	2,225	5,362	691	8,278
2022				
Gross carrying amount	(2,006)	6,599	906	5,499

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 (ECL) incorporate forward-looking information.

	Not yet overdue \$ '000	0 - 30 days \$ '000	Overdue debts \$ '000			Total \$ '000
			31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	
2023						
Gross carrying amount	11,856	4,609	395	312	657	17,829
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	4.52%	0.17%
ECL provision	–	–	–	–	30	30
2022						
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%
ECL provision	–	–	–	–	335	335

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.

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in:			Total cash outflows \$ '000	Actual carrying values \$ '000
			≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000		
2023							
Payables	0.00%	13,555	5,293	9,361	3,140	31,349	31,349
Borrowings	2.92%	–	1,655	7,123	7,477	16,255	16,255
Total financial liabilities		13,555	6,948	16,484	10,617	47,604	47,604
2022							
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
Total financial liabilities		12,366	7,806	17,447	11,404	49,023	49,045

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

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

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

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

E2-1 Fair value measurement (continued)

	Date of latest comprehensive revaluation	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022 Restated	2023	2022 Restated	2023	2022 Restated
\$ '000							
Recurring fair value measurements							
Investment property							
Various	30/06/23	81,355	83,655	–	–	81,355	83,655
Total investment property		81,355	83,655	–	–	81,355	83,655
Infrastructure, property, plant and equipment							
Community land	30/06/23	–	–	260,481	214,103	260,481	214,103
Crown Land	30/06/23	–	–	102,572	84,165	102,572	84,165
Land under roads	30/06/23	–	–	26,150	17,152	26,150	17,152
Operational land *	30/06/23	294,716	262,972	–	–	294,716	262,972
Buildings	30/06/21	–	–	332,868	288,065	332,868	288,065
Swimming Pools	30/06/21	–	–	9,826	9,649	9,826	9,649
Roads	30/06/22	–	–	796,132	759,531	796,132	759,531
Bridges	30/06/22	–	–	14,644	14,038	14,644	14,038
Footpaths	30/06/22	–	–	75,930	71,621	75,930	71,621
Bulk earthworks non depreciable	30/06/22	–	–	218,395	206,227	218,395	206,227
Other open space/recreational	30/06/20	–	–	192,447	189,457	192,447	189,457
Other Infrastructure	30/06/20	–	–	31,652	29,416	31,652	29,416
Stormwater drainage *	30/06/23	–	–	519,416	559,504	519,416	559,504
Total infrastructure, property, plant and equipment		294,716	262,972	2,580,513	2,442,928	2,875,229	2,705,900

(*) Restated

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 2023 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 2023 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.

Stormwater Drainage

This asset class includes culverts, stormwater quality improvement devices (creeks and wetlands), open channels, stormwater pits/pipes and structures.

The valuation of stormwater drainage asset classes was performed by Knowledge Asset Management Pty Ltd as at 30 June 2023 in accordance with the fair valuation policy as mandated by the Office of Local Government.

As there is no evidence to support a market approach, all Stormwater Infrastructure has been valued using Level 3 valuation inputs using the cost approach. The approach estimated the replacement cost for each Stormwater asset by componentising (where applicable) each Stormwater asset into significant parts with different useful lives and considering a range of factors. While unit rates for Stormwater Infrastructure are based on quantitative dimensional units such as lengths and can be supported from market evidence (Level 2), other inputs (such as estimates of useful lives, remaining life profiles, and asset conditions) required extensive professional judgement which impacts significantly on the final determination of the assets Fair Value.

E2-1 Fair value measurement (continued)

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

This asset class includes bridges, bus shelters, carpark, 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.

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. At 30 June 2023 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.

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.

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. At 30 June 2023 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.

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 2023 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 2023 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 NSW 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 NSW 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 revalued as at 30 June 2023.

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		Crown Land		Land under roads		Buildings	
	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000
Opening balance	214,103	213,960	84,165	84,165	17,152	16,566	288,065	282,507
Total gains or losses for the period								
Other movements								
Purchases	–	286	–	–	–	586	16,136	4,541
Disposals	–	(143)	–	–	–	–	(8,338)	(4,271)
Depreciation and impairment	–	–	–	–	–	–	(11,109)	(10,168)
Revaluation	46,471	–	18,407	–	8,998	–	17,872	14,685
Adjustments Transfers	(93)	–	–	–	–	–	30,242	771
Closing balance	260,481	214,103	102,572	84,165	26,150	17,152	332,868	288,065

	Swimming pools		Roads		Bridges		Footpaths	
	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000
Opening balance	9,649	9,226	759,531	735,132	14,038	7,299	71,621	79,222
Total gains or losses for the period								
Other movements								
Purchases	–	430	5,944	11,253	–	–	1,465	1,893
Disposals	–	–	(36)	(4,051)	–	–	–	(108)
Depreciation and impairment	(531)	(494)	(14,038)	(13,357)	(210)	(116)	(1,402)	(1,017)
Revaluation	652	487	43,626	27,920	816	6,855	4,130	(10,173)
Adjustments Transfers	56	–	1,105	2,634	–	–	116	1,804
Closing balance	9,826	9,649	796,132	759,531	14,644	14,038	75,930	71,621

	Bulk earthworks non-depreciable		Other open space recreational		Other infrastructure		Stormwater drainage	
	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 Restated \$ '000
Opening balance	206,227	151,478	189,457	177,594	29,416	27,512	559,504	518,545
Total gains or losses for the period								
Other movements								
Purchases	–	–	841	2,988	1,085	–	452	1,742
Disposals	–	–	(120)	(192)	–	–	–	–
Depreciation and impairment	–	–	(10,592)	(9,434)	(814)	(733)	(7,549)	(9,253)
Revaluation	12,168	54,622	11,299	17,013	1,864	2,637	(33,032)	48,293
Adjustments Transfers	–	127	1,562	1,488	101	–	41	177
Closing balance	218,395	206,227	192,447	189,457	31,652	29,416	519,416	559,504

E2-1 Fair value measurement (continued)

	Total	
	2023	2022
	\$ '000	Restated \$ '000
Opening balance	2,442,928	2,303,206
Purchases	25,923	23,719
Disposals	(8,494)	(8,765)
Depreciation and impairment	(46,245)	(44,572)
Revaluation	133,271	162,339
Adjustments Transfers	33,130	7,001
Closing balance	2,580,513	2,442,928

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.

Contingent Liabilities

(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 standard employer contributions and additional lump sum contributions to the fund..

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working 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 8.0% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.*

The additional lump sum contribution for each pooled employer is a share of the total additional contributions of \$20 million per annum from 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These lump sum contributions are used to fund the deficit of assets to accrued liabilities

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

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 additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

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

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

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2023 was \$808,669.27. The last formal valuation of the Fund was undertaken by the fund actuary, Mr Richard Boyfield, FIAA as at 30 June 2022.

The amount of additional contributions included in the total employer contribution advised above is \$460,675.44. Council's expected contribution to the Fund for the next annual reporting period is \$760,497.24.

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

E3-1 Contingencies (continued)

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

* excluding other accumulation accounts and reserves in both assets and liabilities.

The share of any funding surplus or deficit that can be attributed to Council is 2.30%.

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	6.0% per annum
Salary inflation	3.5% per annum
Increase in CPI	6.0% for FY 22/23 2.5% per annum thereafter

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 2023.

(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 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) 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 2022 the bank guarantee held by State Insurance Regulatory Authority (SIRA) was in the amount of \$7,292,000. At 30 June 2023, Council's actuarial assessment has recommended a security of \$10,741,000 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 2023, 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 2023, 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. In April 2023, Council resolved to extend the guarantee by an additional \$1,008,323 (COR011-23). As at 30 June 2023 this extension had not yet been executed.

(iv) Landfill stabilisation - Ferntree Reserve

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

E3-1 Contingencies (continued)

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 been established.

Rainfall in July 2022 has caused further slippage. A geographical survey has been conducted and a risk assessment is in progress. A preliminary design has been completed based on recommendations of the geotechnical consultant and forwarded to a Quantity Surveyor. Negotiations are still underway, and it is not possible to finalise the cost of the works required.

(v) 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.

(vi) 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.

Contingent Assets

(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:

	2023 \$ '000	2022 \$ '000
Compensation:		
Short-term benefits	2,352	2,340
Post-employment benefits	123	118
Other long-term benefits	80	90
Total	2,555	2,548

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of KMP using Council services (e.g. access to library or Council swimming pool) will not be disclosed.

F1-2 Councillor and Mayoral fees and associated expenses

	2023 \$ '000	2022 \$ '000
Councillors' fees	480	439
Mayoral fee	92	81
Other Councillors' expenses (including Mayor)	122	67
Total	694	587

F2 Other relationships

F2-1 Audit fees

	2023 \$ '000	2022 \$ '000
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements : Auditor-General	175	161
Total fees paid or payable to the Auditor-General	175	161
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services - Internal Audit Program	223	180
Total fees paid or payable to non-NSW Auditor-General audit firms	223	180
Total audit fees	398	341

G Other matters

G1-1 Statement of Cash Flows information

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

	2023 \$ '000	2022 \$ '000
Net operating result from Income Statement	28,536	22,317
Add / (less) non-cash items:		
Depreciation and amortisation	50,985	49,732
(Gain) / loss on disposal of assets	8,036	10,049
Non-cash capital grants and contributions	–	(730)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(76)	893
– Investment property	2,321	(1,382)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(3,232)	(4,839)
(Decrease)/increase in provision for doubtful debts	99	(71)
(Increase)/decrease in inventories	(211)	(62)
(Increase)/decrease in other assets	(5,246)	788
Increase / (decrease) in payables	599	652
Increase / (decrease) in accrued interest payable	64	2
(Decrease)/increase in other accrued expenses payable	(303)	2,421
Increase / (decrease) in other liabilities	206	1,764
Increase / (decrease) in contract liabilities	3	1,324
(Decrease)/increase in employee leave entitlements	524	(1,828)
Increase / (decrease) in other provisions	2,834	326
Net cash flows from operating activities	85,139	81,356

(b) Non-cash investing and financing activities

	2023 \$ '000	2022 \$ '000
Asset dedications (other than s7.11 & s7.12)	–	730
Total non-cash investing and financing activities	–	730

G2-1 Commitments

Capital commitments (exclusive of GST)

	2023 \$ '000	2022 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	1,990	2,658
Plant and equipment	142	–
Open Spaces	2,198	3,545
Road Infrastructure	1,212	2,387
Total commitments	5,542	8,590
These expenditures are payable as follows:		
Within the next year	4,990	8,590
Later than one year and not later than 5 years	552	–
Total payable	5,542	8,590
Sources for funding of capital commitments:		
Unrestricted general funds	3,128	3,169
Unexpended grants	87	2,025
Externally restricted reserves	2,248	2,410
Internally restricted reserves	79	986
Total sources of funding	5,542	8,590

G3-1 Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

G4 Changes from prior year statements

G4-1 Correction of errors

Details of errors	Impact of correction of errors (\$'000)
Existing Green Unrehabilitated Creeks & Wetlands	
<p>Council's existing Green Unrehabilitated Creeks & Wetlands assets have all previously been recognised in its Statement of Financial Position. As part of the 2022/23 comprehensive stormwater drainage asset class revaluation of these assets, council has identified these assets are not capital in nature and should have been expensed. 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 Stormwater Drainage Assets as at 1 July 2021.</p>	(\$29,013)
Rehabilitated Creeks & Wetlands Structural Works	
<p>Council's Rehabilitated Creeks & Wetlands Structural Works assets have all previously been recognised in its Statement of Financial Position. As part of 2022/23 comprehensive stormwater drainage asset class revaluation of these assets, council has identified these assets are not capital in nature and should have been expensed. 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 Stormwater Drainage Assets as at 1 July 2021.</p>	(\$3,377)
Rehabilitated Creeks & Wetlands Natural Works	
<p>Council's Rehabilitated Creeks & Wetlands Natural Works assets have all previously been recognised in its Statement of Financial Position. As part of 2022/23 comprehensive stormwater drainage asset class revaluation of these assets, council has identified these assets are not capital in nature and should have been expensed. 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 Stormwater Drainage Assets as at 1 July 2021.</p>	(\$2,022)
Dams	
<p>The Ridge upper and lower dams financial value in the 2022 Statement of Financial Position was recognised as nil. The asset was incorrectly removed and not transferred to stormwater drainage assets during the revaluation of Open Space assets in 2020.</p>	\$9,349
<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 the Stormwater Drainage asset class as at 1 July 2021.</p>	
Water Quality Devices (including Gross Pollutant Traps, Trash Racks)	
<p>The written down value of Council's Water Quality Devices were correctly stated as at 30 June 2022. During the fair value assessment and adjustment process indexation was however incorrectly applied to both the asset cost and accumulated depreciation. This resulted in both value of asset cost and accumulated depreciation being overstated by \$73.688m. There is therefore no overall impact.</p>	Nil
Operational Land	
<p>The Operational Land assets were most recently revalued in 2018. However, during the 2023 revaluation process, council has identified that 7 operational land parcels were either inadvertently omitted or incorrect zoning used in the revaluation since the introduction of the new LEP2016 changes in or after the 2018 revaluation.</p>	\$33,353

G4-1 Correction of errors (continued)

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 the Operational Land asset class as at 1 July 2021.

Net Impact

\$8,290

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2021), and taking the adjustment through to the accumulated surplus and Asset Revaluation Reserves at that date.

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

Changes to the opening Statement of Financial Position at 1 July 2021

Statement of Financial Position

	Notes	Original Balance 1 July, 2021 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July, 2021 \$ '000
Infrastructure, property, plant and equipment	C1-6	2,594,747	8,290	2,603,037
Total non-current assets		2,719,972	8,290	2,728,262
Total assets		2,951,058	8,290	2,959,348
Net assets		2,869,738	8,290	2,878,028
Accumulated surplus		1,534,042	(15,657)	1,518,385
Asset Revaluation Reserves		1,335,696	23,947	1,359,643
Total equity		2,869,738	8,290	2,878,028

Adjustments to the comparative figures for the year ended 30 June 2022

Statement of Financial Position

	Notes	Original Balance 30 June, 2022 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2022 \$ '000
Infrastructure, property, plant and equipment	C1-6	2,764,057	8,290	2,772,347
Total non-current assets		2,873,077	8,290	2,881,367
Total assets		3,156,148	8,290	3,164,438
Net assets		3,054,394	8,290	3,062,684
Accumulated surplus		1,556,359	(15,657)	1,540,702
Revaluation reserve		1,498,035	23,947	1,521,982
Total equity		3,054,394	8,290	3,062,684

G4-1 Correction of errors (continued)

	Original Balance 30 June, 2022 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2022 \$ '000
Total income from continuing operations	280,043	–	280,043
Total expenses from continuing operations	257,726	–	257,726
Net operating result for the year	22,317	–	22,317

Statement of Comprehensive Income

	Original Balance 30 June, 2022 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2022 \$ '000
Net operating result for the year	22,317	–	22,317
Gain (loss) on revaluation of infrastructure, property, plant and equipment	162,339	–	162,339
Other comprehensive income	162,339	–	162,339
Total comprehensive income for the year	184,656	–	184,656

G5 Statement of developer contributions as at 30 June 2023

G5-1 Summary of developer contributions

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Held as restricted asset at 30 June 2023 \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000			
Open space	52,883	3,544	–	–	1,294	(7,652)	50,069
Community facilities	2,812	–	–	–	69	(1,551)	1,330
S7.11 contributions – under a plan	55,695	3,544	–	–	1,363	(9,203)	51,399
S7.12 levies – under a plan	13,719	5,973	–	–	336	(2,356)	17,672
Total S7.11 and S7.12 revenue under plans	69,414	9,517	–	–	1,699	(11,559)	69,071
S7.11 not under plans	1,489	–	–	–	36	–	1,525
Total contributions	70,903	9,517	–	–	1,735	(11,559)	70,596

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 was purchased in 2011 using Developer Contributions which as at 30/06/2023 had a fair value of \$6,300,000.

G5-2 Developer contributions by plan

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Held as restricted asset at 30 June 2023 \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000			
Shire Wide Open Space & Recreation Facilities (2005)							
Open Space	32,384	320	-	-	570	(3,150)	30,124
Total	32,384	320	-	-	570	(3,150)	30,124
Community Facilities Menai & Woronora Heights (1993)							
Community facilities	2,812	-	-	-	69	(1,551)	1,330
Total	2,812	-	-	-	69	(1,551)	1,330
Section 7.11 Development Contribution Plan - Amendment 3 (2020)							
Open space	20,499	3,224	-	-	724	(4,502)	19,945
Total	20,499	3,224	-	-	724	(4,502)	19,945

G5-2 Developer contributions by plan (continued)

S7.12 Levies – under a plan

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Held as restricted asset at 30 June 2023 \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000			
Section 7.12 Development Contribution Plan - Amendment 2 (2020)							
Open Space	13,719	5,973	-	-	336	(2,356)	17,672
Total	13,719	5,973	-	-	336	(2,356)	17,672

G5-3 Contributions not under plans

Pre 1993 Woronora Northern Access Road

Roads	1,489	-	-	-	36	-	1,525
Total	1,489	-	-	-	36	-	1,525

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts	Indicator	Indicators		Benchmark
	2023	2023	Restated 2022	2021	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	17,143	5.87%	4.46%	4.23%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	292,044				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	256,240	81.65%	84.06%	85.19%	> 60.00%
Total continuing operating revenue ¹	313,835				
3. Unrestricted current ratio					
Current assets less all external restrictions	168,671	4.32x	3.91x	3.75x	> 1.50x
Current liabilities less specific purpose liabilities	39,014				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	68,636	15.57x	13.13x	13.28x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4,408				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	9,053	4.68%	4.44%	4.68%	< 5.00%
Rates and annual charges collectable	193,599				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	252,560	12.36 months	12.93 months	11.62 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	20,438				

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

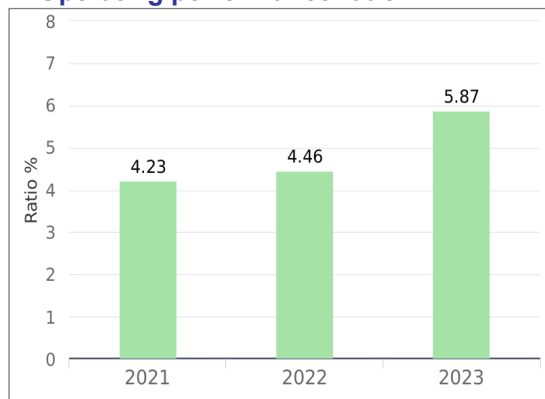
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, impairment losses on receivables, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2022/23 result

2022/23 ratio 5.87%

Although this ratio exceeded the industry benchmark for the financial year there were a few factors which significantly influenced Council's operating performance.

These factors included the pre-payment of the 2023/24 Financial Assistance Grant and the receipt of other significant grant funding.

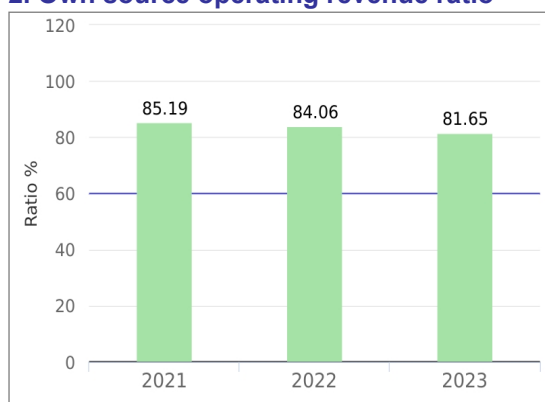
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2022/23 result

2022/23 ratio 81.65%

The reduction in the Own Source Revenue Ratio is due to the large amount of operating grants that Council received throughout the financial year (B2-4).

Council continues to operate well above the industry benchmark and maintain a low dependency on external funding.

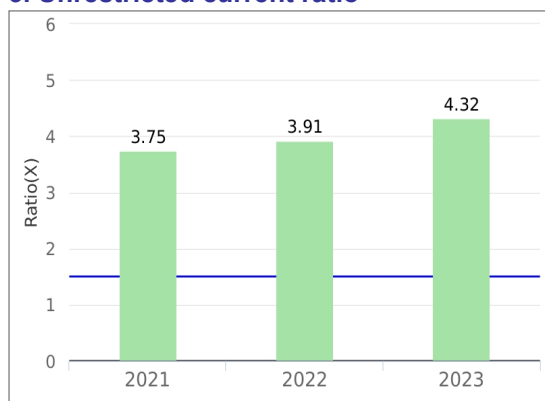
Benchmark: — > 60.00%

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 2022/23 result

2022/23 ratio 4.32x

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

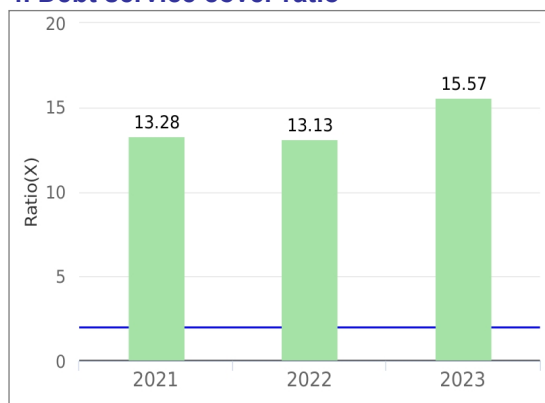
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2022/23 result

2022/23 ratio 15.57x

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

The increase in this ratio is a result of the increase in the operating result for the financial year.

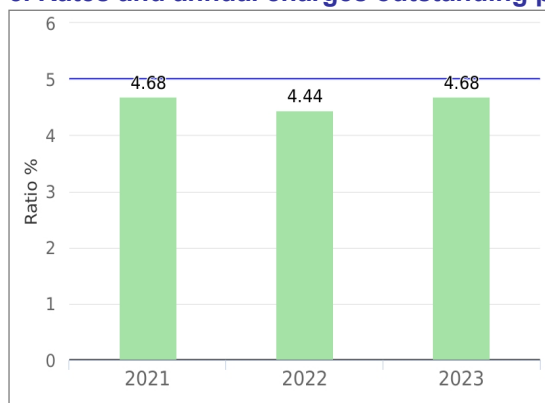
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2022/23 result

2022/23 ratio 4.68%

Council has a policy position not to commence legal proceedings to recover debt from property owners receiving a Pension Rebate. When excluding Pensioners arrears the outstanding ratio for the year is 3.96%

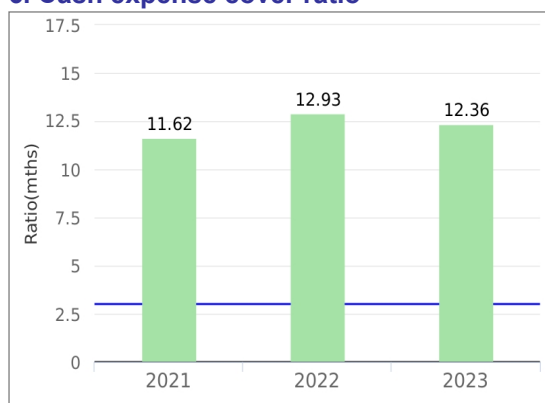
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 12.36 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 2023.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

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

Email: ssc@ssc.nsw.gov.au

Officers

Chief Executive Officer

Mrs Manjeet Grewal

Chief Financial Officer

Mr Mitchel Woods

Public Officer

Mr Anton Usher

Auditor

NSW Auditor-General
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

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 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/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.



Renee Meimaroglou
Delegate of the Auditor-General for New South Wales

18 October 2023
SYDNEY



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

Contact: Renee Meimaroglou
 Phone no: 02 9275 7389
 Our ref: R008-16585809-46000

18 October 2023

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2023
 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 2023 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2023	2022*	Variance
	\$m	\$m	%
Rates and annual charges revenue	184.6	180.3	↑ 2.4
Grants and contributions revenue	57.6	44.5	↑ 29.4
Operating result from continuing operations	28.5	22.3	↑ 27.8
Net operating result before capital grants and contributions	6.7	1.9	↑ 252.6

* The 2022 comparatives have been restated to correct a prior period error.

Rates and annual charges revenue (\$184.6 million) increased by \$4.3 million (2.4 per cent) in 2022–23, which is consistent with the rate peg increase.

Grants and contributions revenue (\$57.6 million) increased by \$13.1 million (29.4 per cent) in 2022–23 mainly due to:

- receiving \$8.9 million grants from the NSW Government Regional and Local Roads Repair Program to undertake urgent repairs to the road networks significantly impacted by wet weather events during 2022
- receiving 100 per cent of the financial assistance grants for 2023–24 in advance (75 per cent in 2021–22)

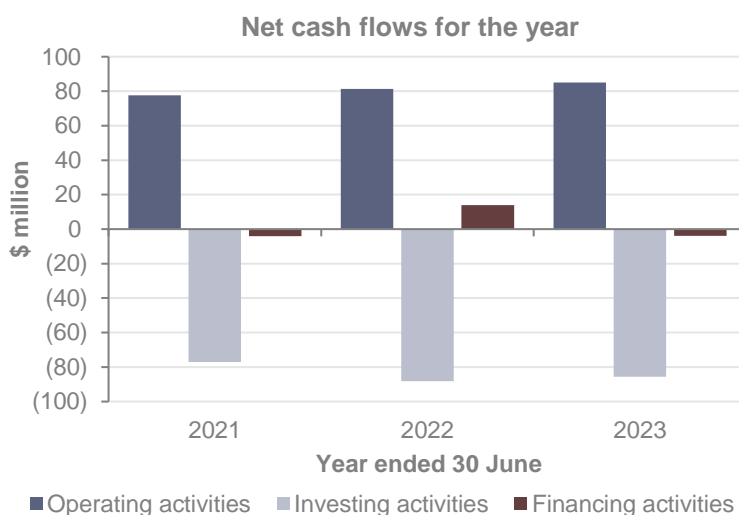
The Council's operating result from continuing operations (\$28.5 million) including depreciation, amortisation and impairment expense (\$51.0 million) was \$6.2 million higher than the 2021–22 result. This was mainly attributable to an increase in Rates and annual charges (\$4.3 million), User charges and fees (\$7.3 million), Grants and contributions (\$13.1 million), Interest and investment income (\$7.2 million), offset by an increase in Employee benefits and on-costs (\$10.2 million) and Materials and services (\$15.5 million).

The net operating result before capital grants and contributions (\$6.7 million) was \$4.8 million higher than the 2021–22 result.

STATEMENT OF CASH FLOWS

The decrease in cash and cash equivalents of \$4.3 million was mainly due to:

- net cash inflows from operating activities of \$85.1 million
- net cash outflows from investing activities of \$85.6 million
- net cash outflows from financing activities of \$3.9 million



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	297.2	279.7	Externally restricted balances comprise mainly of developer contributions, domestic waste management and unexpended grants and contributions.
Restricted and allocated cash, cash equivalents and investments:			Internal allocations are determined by council policies or decisions, which are subject to change.
• External restrictions	150.8	150.1	Internal allocations increased mainly due to the increase in Strategic Priorities Reserve (\$12.8 million) and the increase in the Cronulla Town Centre Refurbishment Project (\$6.9 million).
• Internal allocations	108.6	91.2	

Debt

At 30 June 2023, Council had:

- \$16.3 million in secured loans (\$18.3 million in 2021–22)
- \$0.75 million in approved overdraft facility with nil drawn down
- \$0.12 million in credit card facility with \$0.051 million used.

PERFORMANCE

Performance measures

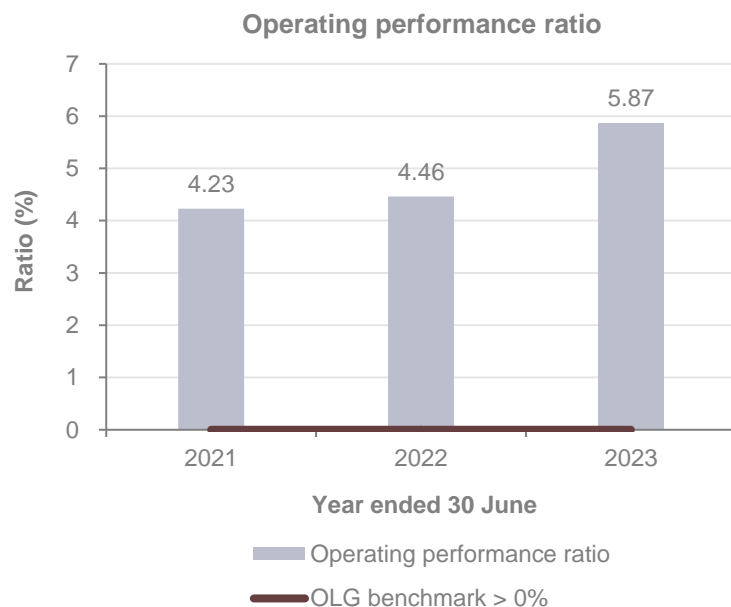
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

Operating performance ratio

The Council met the benchmark for the current reporting period.

The 2022 ratio was restated to correct a prior period error.

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

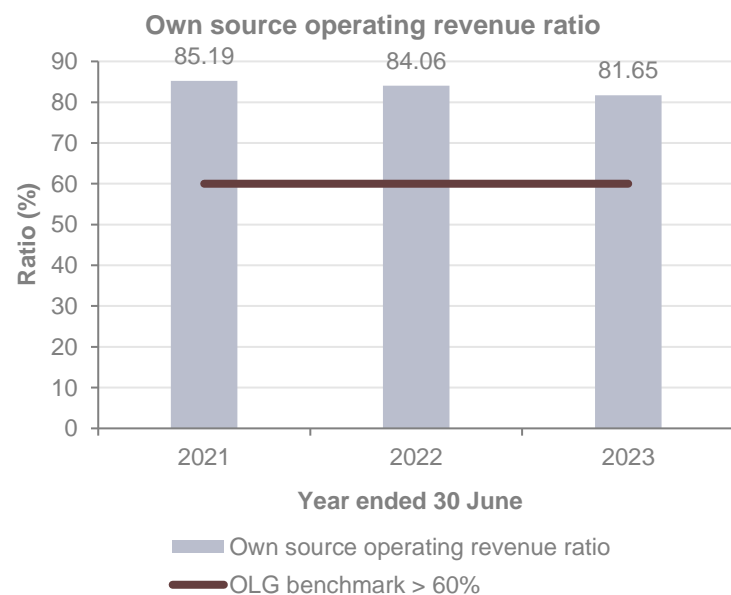


Own source operating revenue ratio

The Council met the benchmark for the current reporting period.

The 2022 ratio was restated to correct a prior period error.

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

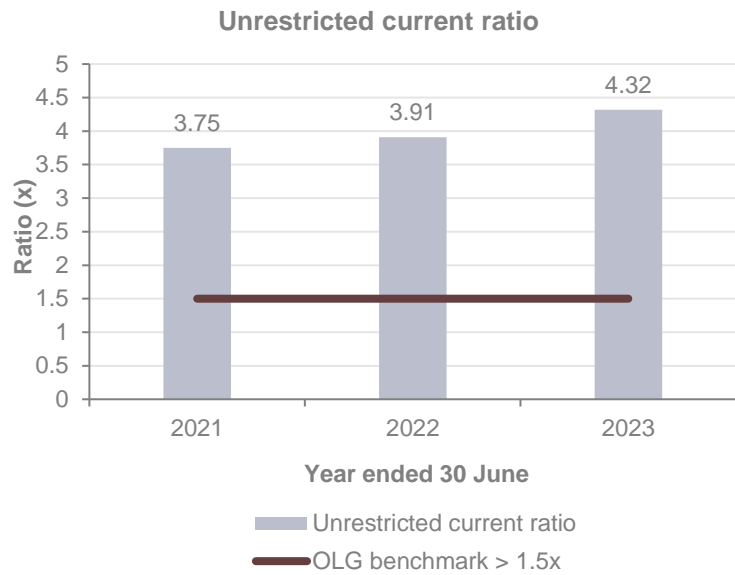


Unrestricted current ratio

The Council met the benchmark for the current reporting period.

The 2022 ratio was restated to correct a prior period error.

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

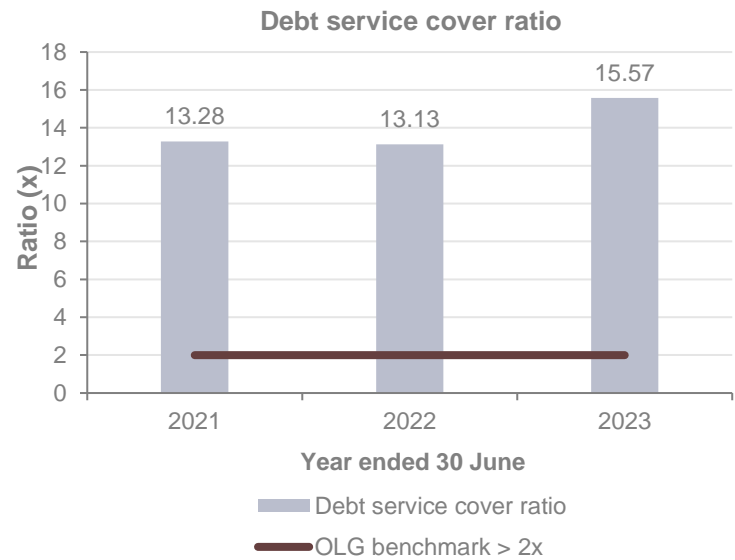


Debt service cover ratio

The Council met the benchmark for the current reporting period.

The 2022 ratio was restated to correct a prior period error.

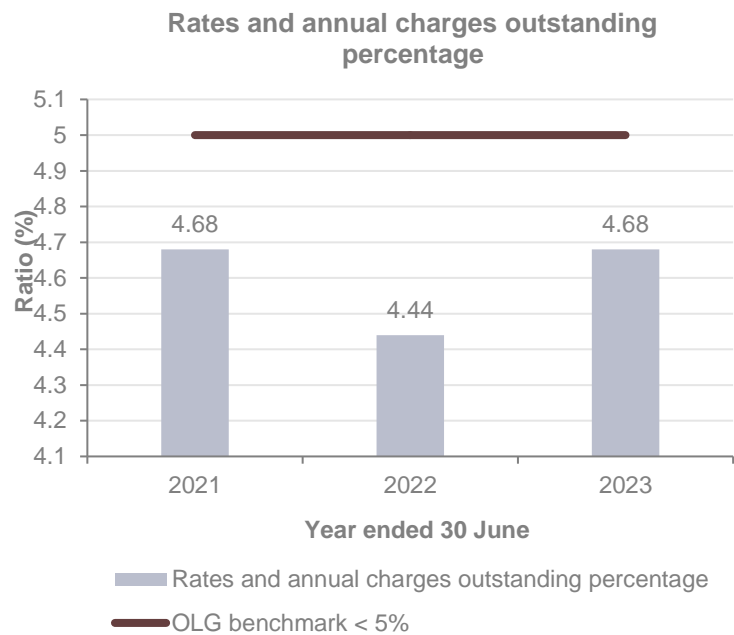
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council met the benchmark for the current reporting period.

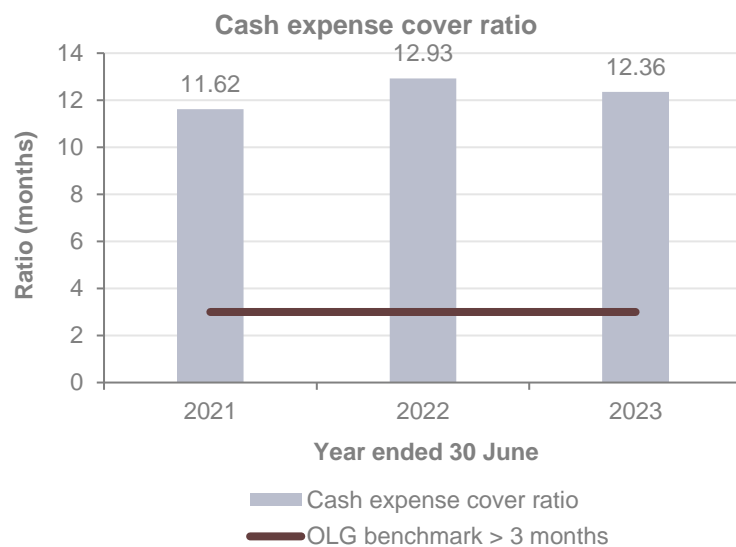
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

The Council met the benchmark for the current reporting period.

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



Infrastructure, property, plant and equipment renewals

Council renewed \$50.1 million of infrastructure, property, plant and equipment during the 2022–23 financial year. This was mainly spent on roads, repairing assets damaged by natural disasters and the entertainment centre upgrade. A further \$14.8 million was spent on new assets across different asset classes.

The level of asset renewals is consistent with the prior year (\$47.6 million in 2021–22 financial year).

OTHER MATTERS

Legislative compliance

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

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



Renee Meimaroglou
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
Kiersten Fishburn, Secretary of the Department of Planning and Environment

Sutherland Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

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 2023

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
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Income Statement of Commercial Waste	5
Statement of Financial Position of Long Day Care	6
Statement of Financial Position of Commercial Waste	7
Note – Significant Accounting Policies	8
NSW Auditor-General's Report on Special Purpose Financial Statements	10

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 2023

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

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

- 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 09 October 2023.



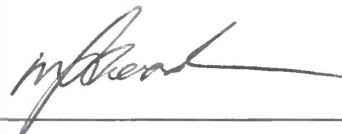
Councillor Carmelo Pesce
Mayor
09 October 2023



Councillor Carol Provan
Deputy Mayor
09 October 2023



Mrs Manjeet Grewal
Chief Executive Officer
09 October 2023



Mr Mitchel Woods
Chief Financial Officer
09 October 2023

Sutherland Shire Council

Income Statement of Long Day Care

for the year ended 30 June 2023

	2023 Category 1 \$ '000	2022 Category 1 \$ '000
Income from continuing operations		
User charges	14,613	13,898
Grants and contributions provided for operating purposes	1,016	294
Other income	13	10
Total income from continuing operations	15,642	14,202
Expenses from continuing operations		
Employee benefits and on-costs	11,842	9,493
Materials and services	3,895	4,771
Depreciation, amortisation and impairment	308	4
Calculated taxation equivalents	953	589
Internal rent	–	1,304
Other notional internal expenses	1,834	1,985
Other expenses	2	1
Total expenses from continuing operations	18,834	18,147
Surplus (deficit) from continuing operations before capital amounts	(3,192)	(3,945)
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	(3,192)	(3,945)
Surplus (deficit) from all operations before tax	(3,192)	(3,945)
Surplus (deficit) after tax	(3,192)	(3,945)
Plus accumulated surplus	4,792	4,859
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	953	589
– Internal Rent	–	1,304
– Other Notional Internal Expenses	1,834	1,985
Closing accumulated surplus	4,387	4,792
Return on capital %	(8.7)%	(28,178.6)%
Subsidy from Council	3,192	3,946

Sutherland Shire Council

Income Statement of Commercial Waste

for the year ended 30 June 2023

	2023 Category 2 \$ '000	2022 Category 2 \$ '000
Income from continuing operations		
User charges	1,709	1,522
Other income	4	77
Total income from continuing operations	1,713	1,599
Expenses from continuing operations		
Employee benefits and on-costs	856	51
Materials and services	795	694
Depreciation, amortisation and impairment	128	–
Internal rent	1	1
Other notional internal expenses	180	128
Total expenses from continuing operations	1,960	874
Surplus (deficit) from continuing operations before capital amounts	(247)	725
Surplus (deficit) from continuing operations after capital amounts	(247)	725
Surplus (deficit) from all operations before tax	(247)	725
Less: corporate taxation equivalent (25%) [based on result before capital]	–	(181)
Surplus (deficit) after tax	(247)	544
Plus accumulated surplus	9,375	8,521
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	181
– Internal Rent	1	1
– Other notional internal expenses	180	128
Closing accumulated surplus	9,309	9,375
Return on capital %	0.0%	0.0%
Subsidy from Council	247	–

Sutherland Shire Council

Statement of Financial Position of Long Day Care

as at 30 June 2023

	2023 Category 1 \$ '000	2022 Category 1 \$ '000
ASSETS		
Current assets		
Investments	4,100	4,608
Receivables	201	185
Total current assets	4,301	4,793
Non-current assets		
Infrastructure, property, plant and equipment	36,598	14
Other	4,911	2,887
Total non-current assets	41,509	2,901
Total assets	45,810	7,694
LIABILITIES		
Current liabilities		
Payables	787	479
Employee benefit provisions	2,780	2,116
Provisions	1,122	–
Total current liabilities	4,689	2,595
Non-current liabilities		
Employee benefit provisions	147	307
Total non-current liabilities	147	307
Total liabilities	4,836	2,902
Net assets	40,974	4,792
EQUITY		
Accumulated surplus	4,387	4,792
Revaluation reserves	8,868	–
Equity Transfer ¹	27,719	–
Total equity	40,974	4,792

(1) Change from tenancy to ownership model (Land and Buildings)

Sutherland Shire Council

Statement of Financial Position of Commercial Waste

as at 30 June 2023

	2023 Category 2 \$ '000	2022 Category 2 \$ '000
ASSETS		
Current assets		
Receivables	27	3
Total current assets	27	3
Non-current assets		
Other	9,512	9,484
Total non-current assets	9,512	9,484
Total assets	9,539	9,487
LIABILITIES		
Current liabilities		
Payables	89	109
Employee benefit provisions	141	3
Total current liabilities	230	112
Total liabilities	230	112
Net assets	9,309	9,375
EQUITY		
Accumulated surplus	9,309	9,375
Total equity	9,309	9,375

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 (%)

Land tax – the first \$969,000 of combined land values attracts **0%**. For the combined land values in excess of \$969,000 up to \$5,925,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,925,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$1,200,000.

Note – Significant Accounting Policies (continued)

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25%.

Income tax is only applied where a gain 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.

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.

Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.02% at 30/6/23.

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

The Declared Business Activities of the Council are:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Renee Meimaroglou
Delegate of the Auditor-General for New South Wales

18 October 2023
SYDNEY

Sutherland Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2023

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 2023

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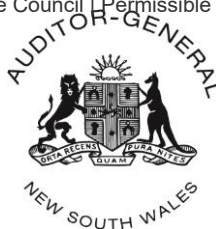
Sutherland Shire Council

Permissible income for general rates

	Notes	Calculation 2022/23 \$ '000	Calculation 2023/24 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	139,775	143,721
Plus or minus adjustments ²	b	450	154
Notional general income	c = a + b	140,225	143,875
Permissible income calculation			
Or rate peg percentage	e	2.50%	3.70%
Or plus rate peg amount	i = e x (c + g)	3,506	5,323
Sub-total	k = (c + g + h + i + j)	143,731	149,198
Plus (or minus) last year's carry forward total	l	(58)	1
Less valuation objections claimed in the previous year	m	(27)	(76)
Sub-total	n = (l + m)	(85)	(75)
Total permissible income	o = k + n	143,646	149,123
Less notional general income yield	p	143,721	149,123
Catch-up or (excess) result	q = o - p	(75)	-
Plus income lost due to valuation objections claimed ³	r	76	-
Carry forward to next year ⁴	t = q + r + s	1	-

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 2024.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Renee Meimaroglou
Delegate of the Auditor-General for New South Wales

18 October 2023
SYDNEY

Sutherland Shire Council

Report on Infrastructure Assets

as at 30 June 2023

Asset Class	Asset Category	Estimated cost				Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard ^a	to bring assets agreed level of service set by Council ^b	2022/23 Required maintenance ^c	2022/23 Actual maintenance			1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Buildings	4,215	12,154	7,842	7,371	332,868	546,444	29.1%	47.9%	20.8%	2.0%	0.2%	
	Sub-total	4,215	12,154	7,842	7,371	332,868	546,444	29.1%	47.9%	20.8%	2.0%	0.2%	
Roads	Roads	8,046	28,018	9,735	9,870	796,132	1,125,967	8.8%	54.0%	34.6%	2.5%	0.1%	
	Bridges	85	284	–	–	14,644	18,827	0.0%	97.2%	1.3%	1.5%	0.0%	
	Footpaths	1,991	6,635	1,526	1,674	75,930	129,006	14.1%	24.3%	57.9%	3.7%	0.0%	
	Other Road Assets (Bulk Earth Works)	–	–	–	–	218,395	218,395	100.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	10,122	34,937	11,261	11,544	1,105,101	1,492,195	22.5%	44.1%	31.1%	2.2%	0.1%	
Stormwater drainage	Stormwater drainage	1,577	4,815	2,867	2,703	519,416	793,945	66.5%	32.5%	0.4%	0.0%	0.6%	
	Sub-total	1,577	4,815	2,867	2,703	519,416	793,945	66.5%	32.5%	0.4%	0.0%	0.6%	

Sutherland Shire Council

Report on Infrastructure Assets (continued)

as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^c	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard ^a	to bring to the agreed level of service set by Council ^b					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Open space / recreational assets	Swimming pools	75	249	–	–	9,826	17,338	23.6%	39.7%	35.2%	1.4%	0.0%
	Open Space / Recreational Assets	3,157	9,496	12,348	13,156	192,447	281,591	10.1%	47.3%	39.2%	3.1%	0.3%
	Sub-total	3,232	9,745	12,348	13,156	202,273	298,929	10.9%	46.9%	39.0%	3.0%	0.2%
Other infrastructure assets	Other	561	1,872	–	–	31,652	43,100	14.5%	42.4%	38.8%	4.3%	0.0%
	Sub-total	561	1,872	–	–	31,652	43,100	14.5%	42.4%	38.8%	4.3%	0.0%
Total – all assets		19,707	63,523	34,318	34,774	2,191,310	3,174,613	33.4%	42.1%	22.5%	1.7%	0.3%

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

Sutherland Shire Council

Report on Infrastructure Assets

as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts	Indicator	Indicators		Benchmark
	2023	2023	Restated 2022	2021	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	50,055	108.24%	106.80%	105.99%	> 100.00%
Depreciation, amortisation and impairment	46,245				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	19,707	0.88%	0.93%	1.79%	< 2.00%
Net carrying amount of infrastructure assets	2,242,682				
Asset maintenance ratio					
Actual asset maintenance	34,774	101.33%	104.59%	101.28%	> 100.00%
Required asset maintenance	34,318				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	63,523	2.00%	3.00%	2.75%	
Gross replacement cost	3,174,613				

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

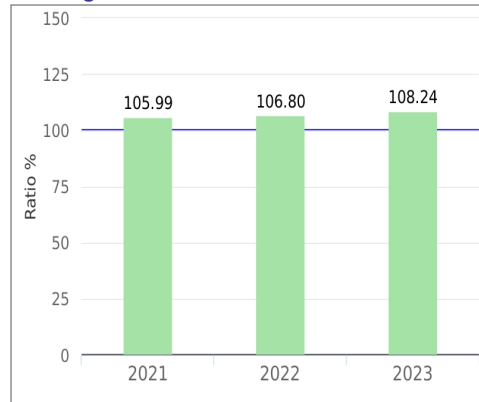
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Sutherland Shire Council

Report on Infrastructure Assets

as at 30 June 2023

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

22/23 ratio 108.24%

Programmed renewal works has been higher than 100% in 2022/23 owing to some large infrastructure upgrades that include a component of renewal.

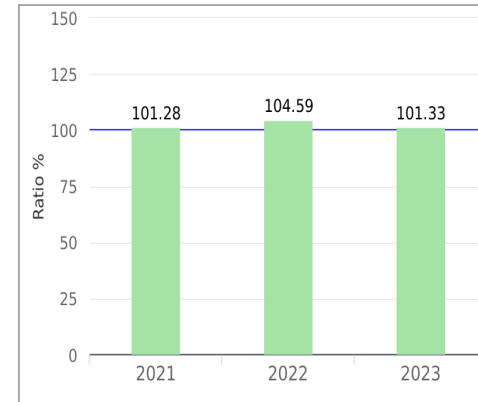
Benchmark: — > 100.00%

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

22/23 ratio 101.33%

The asset maintenance expenditure is slightly above the forecast level.

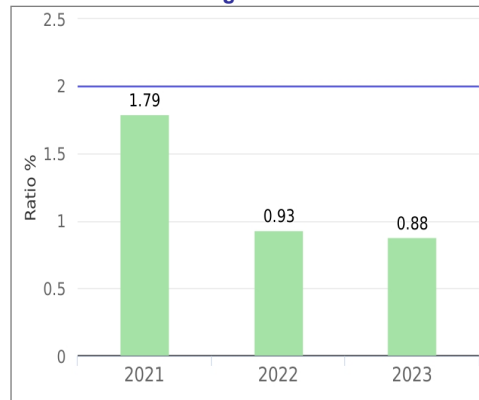
Benchmark: — > 100.00%

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

22/23 ratio 0.88%

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.

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

22/23 ratio 2.00%

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