

PENRITH



2019-20

FINANCIAL STATEMENTS



This document provides audited information on Council's financial activities

PENRITH
CITY COUNCIL

penrithcity.nsw.gov.au

Penrith City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

*A sustainable and prosperous Regional City with a harmony
of urban and rural qualities.*

PENRITH
CITY COUNCIL

General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

601 High St
Penrith NSW 2750

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

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

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

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

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

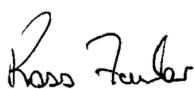
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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 28 September 2020.



Clr Ross Fowler OAM
Mayor
28 September 2020



Clr Karen McKeown OAM
Deputy Mayor
28 September 2020



Warwick Winn
General Manager
28 September 2020



Neil Farquharson
Acting Responsible Accounting Officer
28 September 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
165,187	Rates and annual charges	3a	165,451	156,486
43,493	User charges and fees	3b	37,469	41,498
2,184	Other revenues	3c	3,118	6,913
34,358	Grants and contributions provided for operating purposes	3d,3e	36,133	34,924
29,644	Grants and contributions provided for capital purposes	3d,3e	26,252	49,662
4,036	Interest and investment income	4	3,296	4,722
–	Fair value increment on investment properties	11	5,058	–
3,811	Rental income	14e	3,880	–
50	Net share of interests in joint ventures and associates using the equity method	19	428	721
282,763	Total income from continuing operations		281,085	294,926
Expenses from continuing operations				
111,793	Employee benefits and on-costs	5a	113,334	101,100
1,697	Borrowing costs	5b	1,405	1,798
89,695	Materials and contracts	5c	78,432	70,618
28,991	Depreciation and amortisation	5d	30,257	27,720
23,342	Other expenses	5e	26,492	28,903
486	Net losses from the disposal of assets	6	1,371	1,786
–	Fair value decrement on investment properties	11	–	1,535
256,004	Total expenses from continuing operations		251,291	233,460
26,759	Operating result from continuing operations		29,794	61,466
26,759	Net operating result for the year		29,794	61,466
26,759	Net operating result attributable to council		29,794	61,466
(2,885)	Net operating result for the year before grants and contributions provided for capital purposes		3,542	11,804

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		29,794	61,466
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	305,865	(7)
Other comprehensive income – joint ventures and associates	19b	(8)	(64)
Total items which will not be reclassified subsequently to the operating result		305,857	(71)
Total other comprehensive income for the year		305,857	(71)
Total comprehensive income for the year		335,651	61,395
Total comprehensive income attributable to Council		335,651	61,395

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	13,716	5,998
Investments	7(b)	89,768	152,200
Receivables	8	12,589	15,445
Inventories	9a	631	738
Contract assets	13a	3,645	–
Other	9b	8,465	3,287
Total current assets		<u>128,814</u>	<u>177,668</u>
Non-current assets			
Investments	7(b)	59,235	11,121
Receivables	8	1,012	1,359
Infrastructure, property, plant and equipment	10	2,264,664	1,941,734
Investment property	11	39,457	24,150
Intangible Assets	12	462	–
Right of use assets	14a	201	–
Investments accounted for using the equity method	19	7,250	8,280
Total non-current assets		<u>2,372,281</u>	<u>1,986,644</u>
Total assets		<u>2,501,095</u>	<u>2,164,312</u>
LIABILITIES			
Current liabilities			
Payables	15	25,419	19,867
Income received in advance	15	–	3,771
Contract liabilities	13b	10,461	–
Lease liabilities	14b	71	–
Borrowings	15	8,411	10,211
Provisions	16	35,271	30,209
Total current liabilities		<u>79,633</u>	<u>64,058</u>
Non-current liabilities			
Payables	15	6,354	7,616
Lease liabilities	14b	128	–
Borrowings	15	25,797	34,207
Provisions	16	1,150	709
Total non-current liabilities		<u>33,429</u>	<u>42,532</u>
Total liabilities		<u>113,062</u>	<u>106,590</u>
Net assets		<u>2,388,033</u>	<u>2,057,722</u>
EQUITY			
Accumulated surplus	17	1,283,363	1,258,917
Revaluation reserves	17	1,104,670	798,805
Council equity interest		<u>2,388,033</u>	<u>2,057,722</u>
Total equity		<u>2,388,033</u>	<u>2,057,722</u>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Changes in Equity
for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		1,258,917	798,805	2,057,722	1,197,515	798,812	1,996,327
Changes due to AASB 1058 and AASB 15 adoption	17	(5,344)	–	(5,344)	–	–	–
Changes due to AASB 16 adoption	17	4	–	4	–	–	–
Restated opening balance		1,253,577	798,805	2,052,382	1,197,515	798,812	1,996,327
Net operating result for the year		29,794	–	29,794	61,466	–	61,466
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	305,865	305,865	–	(7)	(7)
– Joint ventures and associates	19b	(8)	–	(8)	(64)	–	(64)
Other comprehensive income		(8)	305,865	305,857	(64)	(7)	(71)
Total comprehensive income		29,786	305,865	335,651	61,402	(7)	61,395
Equity – balance at end of the reporting period		1,283,363	1,104,670	2,388,033	1,258,917	798,805	2,057,722

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
165,187	Rates and annual charges		166,345	154,943
42,254	User charges and fees		34,446	41,873
4,036	Investment and interest revenue received		3,794	5,128
64,002	Grants and contributions		54,145	49,688
–	Bonds, deposits and retention amounts received		6,017	4,019
7,235	Other		10,862	7,608
Payments:				
(111,793)	Employee benefits and on-costs		(109,457)	(98,752)
(89,695)	Materials and contracts		(75,058)	(76,550)
(1,697)	Borrowing costs		(1,405)	(1,798)
–	Bonds, deposits and retention amounts refunded		(4,789)	–
(23,342)	Other		(31,427)	(25,110)
56,187	Net cash provided (or used in) operating activities	18b	53,473	61,049
Cash flows from investing activities				
Receipts:				
260,000	Sale of investment securities		260,899	242,596
–	Sale of investment property		–	2,073
3,051	Sale of infrastructure, property, plant and equipment		5,022	5,816
330	Deferred debtors receipts		330	–
Payments:				
(250,000)	Purchase of investment securities		(246,619)	(256,489)
(12,351)	Purchase of investment property		(10,616)	–
(53,940)	Purchase of infrastructure, property, plant and equipment		(43,967)	(48,267)
(1,236)	Purchase of intangible assets		(524)	–
–	Deferred debtors and advances made		–	(647)
(54,146)	Net cash provided (or used in) investing activities		(35,475)	(54,918)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		–	5,531
Payments:				
(10,182)	Repayment of borrowings and advances		(10,210)	(11,428)
–	Lease liabilities (principal repayments)		(70)	–
(10,182)	Net cash flow provided (used in) financing activities		(10,280)	(5,897)
(8,141)	Net increase/(decrease) in cash and cash equivalents		7,718	234
5,998	Plus: cash and cash equivalents – beginning of year	18a	5,998	5,764
(2,143)	Cash and cash equivalents – end of the year	18a	13,716	5,998
159,532	plus: Investments on hand – end of year	7(b)	149,003	163,321
157,389	Total cash, cash equivalents and investments		162,719	169,319

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 28 September 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note 11
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (iii) employee benefit provisions – refer Note 16.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8.

- (ii) COVID-19 pandemic

Council's operations have been impacted by the COVID-19 pandemic, with facility closures following the guidelines set by the Federal Government. Council is also providing support for impacted local businesses with fee relief from outdoor dining, food shop inspections and Annual Fire Safety Statements. Council waived commercial rents for those affected by mandatory closures and made payment arrangements available to affected businesses and ratepayers, including waiving interest charges for overdue rates. Additional reporting will be included in Council's 2019-20 Annual Report. Further impacts are expected to continue into 2021, as detailed in Council's Operational Plan and Budget 2020-21.

Council assessed the impacts on its financial statements for the current year and determined that there was not a significant impact and Council's assets as presented in the financial statements, are at fair value.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

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

(b) The Trust Fund

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

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

A separate statement of monies held in the Trust Fund is available for inspection at the council office by any person free of charge.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has a number of volunteers including S.377 Committees, these services cannot be reliably measured and have not been included in the financial statements. Donated items and services including advertising and bus transportation at events, are included in the statements as these can be valued using ordinary supplier rates.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (i.e. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.

This standard has an effective date for the 30 June 2021 reporting period.

AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128
AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

The standard amendments address an acknowledged inconsistency between the requirements in AASB10 and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

These amendments will only impact Council where there has been a sale or contribution of assets between Council and any Joint Venture or Associate.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 17.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2(a). Council functions/activities – financial information

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or activities are provided in Note 2(b).

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Advocacy	300	–	858	422	(558)	(422)	300	–	–	–
Asset Maintenance and Renewal	19	4,029	10,681	10,430	(10,662)	(6,401)	–	–	145,000	153,429
Business Performance	–	–	861	870	(861)	(870)	–	–	12	15
Cemeteries	672	2,380	799	812	(127)	1,568	–	–	–	–
Children's Services	27,242	25,868	28,988	25,885	(1,746)	(17)	3,862	3,302	1,733	769
City Partnerships	–	–	3,780	219	(3,780)	(219)	–	–	–	–
City Planning	12,996	7,996	3,282	3,021	9,714	4,975	1,250	750	–	–
Civil Maintenance and Renewal	11,433	33,503	28,090	37,118	(16,657)	(3,615)	3,318	597	1,635,530	1,258,630
Communications	31	–	2,038	803	(2,007)	(803)	–	–	9	39
Community & Cultural Development	195	310	2,457	2,504	(2,262)	(2,194)	175	190	–	–
Community Safety	13	454	471	509	(458)	(55)	13	454	–	–
Corporate Planning	–	–	689	643	(689)	(643)	–	–	18	10
Council and Corporate Governance	1	–	1,351	1,432	(1,350)	(1,432)	–	–	95	17
Council and Executive Support	–	1	4,495	4,607	(4,495)	(4,606)	–	–	–	–
Customer Experience	–	1	3,156	2,335	(3,156)	(2,334)	–	–	–	–
Design & Projects	13,399	13,438	15,390	13,717	(1,991)	(279)	1,392	808	–	–
Development Applications	1,952	2,161	5,927	5,090	(3,975)	(2,929)	12	12	–	–
Development Compliance	503	608	1,902	1,398	(1,399)	(790)	–	–	–	–
Development Engineering	144	465	1,544	1,375	(1,400)	(910)	–	–	–	–
Economic Initiatives	3,301	97	1,383	1,300	1,918	(1,203)	–	–	1	1
Environmental Health	533	692	3,349	3,265	(2,816)	(2,573)	–	10	46	14
Financial Services	261	–	4,958	4,689	(4,697)	(4,689)	169	209	173,664	201,617
Fire Safety and Certification	1,279	1,619	2,579	2,439	(1,300)	(820)	–	–	–	–
Fleet and Plant Management	936	779	986	1,300	(50)	(521)	–	–	15,010	15,376
Floodplain & Stormwater Management	273	383	1,280	1,413	(1,007)	(1,030)	234	350	–	–
GIS Mapping	1	2	855	751	(854)	(749)	–	–	64	64
Information and Communication Technology	–	16	3,671	3,046	(3,671)	(3,030)	–	–	12,065	9,365
Information Management	–	3	164	145	(164)	(142)	–	–	–	–
Legal Services	84	234	409	348	(325)	(114)	–	–	–	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2(a). Council functions/activities – financial information (continued)

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or activities are provided in Note 2(b).

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Libraries	778	751	6,908	6,574	(6,130)	(5,823)	631	576	188	1,772
Marketing and Events	112	82	2,089	2,728	(1,977)	(2,646)	20	20	11	11
Neighbourhood Facilities Management	707	1,007	1,703	1,698	(996)	(691)	–	–	286	256
Penrith Performing & Visual Arts	1,763	2,190	3,762	4,429	(1,999)	(2,239)	427	686	3,448	2,892
Penrith Whitewater Stadium	903	1,064	1,071	1,227	(168)	(163)	–	–	975	1,127
Place Management	862	791	2,416	2,024	(1,554)	(1,233)	58	28	–	–
Property Development & Management	8,640	3,766	6,027	4,662	2,613	(896)	–	–	493,942	504,477
Public Space Maintenance	651	686	27,472	24,214	(26,821)	(23,528)	646	593	–	–
Purchasing & Supply	15	–	1,089	981	(1,074)	(981)	–	–	590	620
Recreation Facilities Management	3,208	5,952	1,688	1,597	1,520	4,355	2,391	5,137	3,192	3,852
Regulatory Control	3,200	3,049	3,988	3,739	(788)	(690)	–	–	–	2
Ripples Leisure Centres	3,745	4,760	6,991	6,083	(3,246)	(1,323)	–	–	717	506
Risk management, Insurance and Internal Audit	3	575	1,310	691	(1,307)	(116)	–	–	1,450	–
Security and Emergency Services	585	577	2,939	2,900	(2,354)	(2,323)	339	513	–	–
Sustainability	22	10	653	540	(631)	(530)	–	–	–	2
Traffic Management, Parking & Road Safety	1,133	1,714	1,499	1,557	(366)	157	1,133	1,234	–	–
Waste & Resource Recovery	36,104	35,661	39,808	32,753	(3,704)	2,908	78	233	1,389	1,061
Workforce and Organisational Development	84	91	3,485	3,177	(3,401)	(3,086)	83	77	4,410	109
General Revenue	142,574	136,440	–	–	142,574	136,440	11,068	10,873	–	–
Other	428	721	–	–	428	721	–	–	7,250	8,279
Total functions and activities	281,085	294,926	251,291	233,460	29,794	61,466	27,599	26,652	2,501,095	2,164,312

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2(b). Council functions/activities - component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

Advocacy

This function advocates and promotes Council's preferred positions and priorities relevant to Western Sydney's growth and development issues that affect Penrith City at sub-regional and metropolitan levels.

Asset Maintenance and Renewal

This function is responsible for the maintenance and renewal of Council's buildings, including neighbourhood halls and facilities, child care centres and community centres.

Business Performance

The Business and Innovative Performance function is responsible for working with managers across the organisation to improve key business process.

Cemeteries

The Cemeteries function is responsible for the management and maintenance of Council managed Cemeteries within Penrith City and the preservation and conservation of heritage elements in Penrith, St Marys, St Stephen – the Martyr and Emu Plains Cemeteries.

Children's Services

Children's Services provides children's centres, staff, resources and support for the benefit of families and children across the City. The service also plans for and supports others to provide child and family services that meet the needs of the community.

City Partnerships

The City Partnerships function maintains and develops existing international cultural and economic relationships and responds to emerging opportunities.

City Planning

City Planning establishes a City-wide policy framework of planning controls, strategies and actions based on analysis of the principles of sustainability, community needs, job creation, community values and the characteristics of the City.

Civil Maintenance and Renewal

The Civil Maintenance and Renewal function sits as part of the City Presentation Department. This function is responsible for the maintenance and renewal of Council's road and pathway network, drains and drainage infrastructure (including Gross Pollutant Traps) and bus shelters.

Communications

The Communications function manages issues which impact on Council and communicates Council's policy and services by facilitating media relations and liaison. This service also incorporates graphic design.

Community & Cultural Development

Community and Cultural Development identifies the City's priority social issues and needs, and with its government and community partners develops strategies to contribute to community wellbeing.

Community Safety

Community Safety implements the Penrith Community Safety Plan to provide crime prevention strategies for a safer community.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2(b). Council functions/activities - component descriptions (continued)

Corporate Planning

The Corporate Planning function compiles reporting under the Integrated Planning and Reporting framework. Reports include the Community Strategic Plan, Delivery Program and Operational Plans.

Council and Corporate Governance

The Council and Corporate Governance function ensures the required governance standards are met. Service activities include management of governance codes, registers, policies and reports; ward boundary reviews and quadrennial elections. The function also provides administrative support to the Mayor, Councillors, General Manager, and the Corporate Leadership Team.

Council and Executive Support

Council and Executive Support function assists tasks that the Councils Executive undertake.

Customer Experience

The Customer Experience function provides a first point of enquiry for residents through the front counter and main switchboard.

Design & Projects

This function provides civil, architectural and landscape designs, advice, assessments and project management for the organisation.

Development Applications

The Development Applications function implements State, Regional and Local planning policies which guide development to achieve sustainable outcomes in social, economic and environmental areas, by providing prelodgement information, assessment and determination of Development Applications (DA), support to Council in appeals and advice to Council and stakeholders in all aspects of the DA process.

Development Compliance

This function provides regulation of companion animals and stock, on-street and Council parking areas and enforcement of regulatory compliance issues, through patrols, education and enforcement.

Development Engineering

This function delivers a certification, compliance and advice service for civil engineering works within our City.

Economic Initiatives

The Economic Initiatives service is responsible for implementation of the Penrith Progression and the 'Invest in New West' marketing program.

Environmental Health

The purpose of this function is to help protect and improve the health of the community and the environment in the City. This is achieved through assessment, inspections, monitoring, education and advocacy programs and projects.

Financial Services

Financial Services is responsible for the oversight of all Council's financial obligations, management and planning. It provides key financial information and advice to Council's decision makers to assist in maintaining long term financial sustainability.

Fire Safety and Certification

This function assesses and determines the issue of Construction, Complying Development and Building Certificates, registration of Annual Fire Safety Statements and upgrading fire safety in existing buildings.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2(b). Council functions/activities - component descriptions (continued)

Fleet and Plant Management

This function is responsible for the maintenance of Council's heavy vehicles and equipment, including mowers, tractors, trucks, rollers etc. This function does not manage the light vehicle fleet.

Floodplain & Stormwater Management

This function provides the framework for land use and floodplain management policy within Penrith City. This service manages flood studies across the city (undertaken in priority order) and provides advice on appropriate development of flood prone land.

GIS Mapping

The Mapping Information/GIS Service provides accurate and current mapping/geographical information to customers and includes the management and maintenance of Council's Geographic Information System (GIS) and user training support.

Information and Communication Technology

The Information and Communication Technology function provides advice and support to Council staff, entities and Councillors, and manages, protects and maintains hardware, software and data.

Information Management

The Information Management function provides the management, administration, maintenance, control and access for Council's recorded and documented information. All records management activities are carried out in accordance with the State Records Act 1998 and Council's Records Management Policy and Procedures.

Legal Services

Legal Services provide accurate quality legal advice, representation and support to Council in matters of dispute, litigation, mediation, drafting and interpreting of agreements, conveyancing and administration. This function also includes risk management (strategic and operational risk), insurance and internal audit.

Libraries

The Library Services function provides information, education and recreation facilities, resources and services for residents of Penrith and visitors to Penrith through multiple locations, a Home Library Service, a Community Toy Library and on-line services. This is achieved through a central and 2 branch libraries, a Mobile Library and on-line services).

Marketing and Events

The Marketing and Events function promotes Council's image through various mediums and events.

Neighbourhood Facilities Management

The Neighbourhood Facilities Management function is responsible for the overall management and operation of Council's 39 neighbourhood centres, community centres, youth centres, senior centres and community halls.

Penrith Performing & Visual Arts

The Penrith Performing & Visual Arts function provides Penrith the best in music, theatre and dance; with world class performances from artists acclaimed nationally and internationally on the same stages that host community festivals, shows and events.

Penrith Whitewater Stadium

This Function is the only man-made river of its kind in the southern hemisphere with Olympic sized rapids. This unique facility is a major sporting and recreation facility in Western Sydney.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2(b). Council functions/activities - component descriptions (continued)

Place Management

The Place Management function supports better outcomes in key identified places within Penrith City. Place Management coordinates existing service provision from Council while supporting enhanced coordination of partner organisations.

Property Development & Management

The Property Development Service provides a property management function for Council's property portfolio. This service is also currently managing the Surplus Lands project, which includes the Public Open Space Reinvestment Project, Opportunity Sites Project and a review of our Operational Land.

Public Space Maintenance

The Public Space Maintenance function sits as part of the City Presentation Department. This function is responsible for the maintenance of public spaces across the City, including mowing parks and sports fields, graffiti removal, litter removal and tree management.

Purchasing & Supply

The Purchasing and Supply function ensures contemporary policies and practices are in place for contract implementation, management for provision of goods and services, purchasing and inventory management and the distribution of products that support the ongoing maintenance and management of Council's assets.

Recreation Facilities Management

This service manages council recreation and leisure facilities, including sportsgrounds and the St Clair Leisure Centre.

Regulatory Control

This function provides regulation of companion animals and stock, on-street and Council parking areas and enforcement of regulatory compliance issues, through patrols, education and enforcement.

Ripples Leisure Centres

This function offers the opportunity to participate in a wide range of Aquatic and Fitness activities at two locations. Facilities include; Hydrotherapy, Spa & Sauna, Gym & Pool and Crèche.

Risk management, Insurance and Internal Audit

Legal Services provide accurate quality legal advice, representation and support to Council in matters of dispute, litigation, mediation, drafting and interpreting of agreements, conveyancing and administration. This function also includes risk management (strategic and operational risk), insurance and internal audit.

Security and Emergency Services

The Security and Emergency Services function sits as part of the Asset Management Department. This function is responsible for managing the security of Council's buildings and liaising with Emergency Services across the City.

Sustainability

The Sustainability function develops strategies and coordinates programs that integrate sustainability into the planning, decision making and operational activities of Council, to ensure the continual improvement of Council's operating environment and contribute to the long-term sustainability of the City.

Traffic Management, Parking & Road Safety

This service provides technical advice to other areas of council, assesses traffic impact assessments, develops road safety programs, manages traffic facility/footpath bicycle facility and bus shelter construction programs, and administers the functions of the Local Traffic Committee, on all public roads (except classified main roads) in Penrith City.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2(b). Council functions/activities - component descriptions (continued)

Waste & Resource Recovery

The Waste and Resource Recovery function contributes significantly to the community through the management of waste collection services, sustainable resource management and community education.

Workforce and Organisational Development

The Workforce and Organisational Development function provides Human Resources Management, Learning and Development, Payroll, Industrial Relations, WHS and Injury Management services to support the organisation's strategic objectives and the delivery of Council's strategic plan.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	2020	2019
(a) Rates and annual charges		
Ordinary rates		
Residential	102,068	96,363
Farmland	1,518	1,533
Business	25,398	23,349
Less: pensioner rebates	(1,857)	(1,826)
Rates levied to ratepayers	127,127	119,419
Pensioner rate subsidies received	1,007	1,018
Total ordinary rates	128,134	120,437
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	35,375	34,173
Stormwater management services	2,291	2,242
Waste management services (non-domestic)	37	36
Section 611 charges	105	100
Less: pensioner rebates (Domestic waste services)	(635)	(653)
Less: pensioner rebates (Stormwater management services)	(219)	(216)
Annual charges levied	36,954	35,682
Pensioner subsidies received:		
– Domestic waste management	363	367
Total annual charges	37,317	36,049
TOTAL RATES AND ANNUAL CHARGES	165,451	156,486

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is 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 in substance a rates payment.

2019 accounting policy

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(b) User charges and fees		
User charges		
Domestic waste management services	29	5
Total user charges	29	5
Fees		
Building Regulation	613	1,166
Cemeteries	657	715
Child care	23,365	22,130
Companion animals	161	214
Halls and community centres	703	1,111
Other regulatory/statutory fees	832	916
Performing Arts Centre/Gallery	1,291	1,489
Penrith Whitewater Stadium	903	1,063
Planning and building regulation	2,748	3,531
Road reinstatements	1,314	1,341
Section 10.7 certificates (EP&A Act)	405	434
Section 603 Certificates	295	250
Sport and recreation	531	304
Swimming centres	2,819	4,754
Vehicle costs recovered from employees	–	772
Other	803	1,303
Total fees	37,440	41,493
TOTAL USER CHARGES AND FEES	37,469	41,498

Accounting policy for user charges and fees

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

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

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

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

Vehicle costs recovered from employees is included under Note 14(e) in 2020.

2019 accounting policy

User charges and fees are recognised as revenue when the service has been provided.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(c) Other revenues		
Rental income – investment property	–	455
Rental income – other council properties (2019 only)	–	2,272
Fines	2,469	2,163
Legal fees recovery – rates and charges (extra charges)	181	203
Legal fees recovery – other	82	226
Insurance claims recoveries	1	596
Purchasing / performance rebate	273	271
Other	112	727
<u>TOTAL OTHER REVENUE</u>	<u>3,118</u>	<u>6,913</u>

Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, whichever is earlier.

2019 accounting policy:

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Rental income is accounted for on a straight-line basis over the lease term.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants				
General purpose (untied)				
Financial Assistance				
Prepayment received in advance for subsequent year	4,405	4,283	–	–
Relating to current year	4,160	4,132	–	–
Financial Assistance - Roads Component				
Relating to current year	1,214	1,206	–	–
Prepayment received in advance for subsequent year	1,289	1,251	–	–
Total general purpose	11,068	10,872	–	–
Specific purpose (tied)				
Bushfire and emergency services	287	509	52	4
Children's services	3,827	3,233	34	69
Civil construction (roads and drainage)	1,662	597	1,656	–
Community services	175	190	–	–
Design and major projects	115	30	1,277	778
Cultural facilities	427	686	–	–
Environmental and health management	–	10	–	–
Library	631	576	–	–
Local infrastructure renewal scheme (lirs)	169	210	–	–
Parks environmental management	66	44	–	–
Recreation and leisure facilities management	100	30	2,291	5,107
Street lighting	570	549	3	454
Traffic and transport	123	72	1,010	1,162
Other	1,978	1,442	78	28
Total specific purpose	10,130	8,178	6,401	7,602
Total grants	21,198	19,050	6,401	7,602
Grant revenue is attributable to:				
– Commonwealth funding	13,553	12,289	1,971	5,486
– State funding	7,645	6,761	4,358	2,116
– Other funding	–	–	72	–
	21,198	19,050	6,401	7,602

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	9,143	5,364
Planning agreements		–	238	84	–
Total developer contributions – cash		–	238	9,227	5,364
Non-cash contributions					
Other developer contributions		–	–	4,648	–
Total developer contributions non-cash		–	–	4,648	–
Total developer contributions	27	–	238	13,875	5,364
Other contributions:					
Cash contributions					
Design and major projects		11,894	12,630	113	–
Domestic waste		150	8	–	–
Recreation and culture		16	25	610	324
RID squad		837	940	–	–
RMS contributions (regional roads, block grant)		1,035	1,012	546	456
Roads maintenance		609	778	108	33
Other		320	209	–	614
Total other contributions – cash		14,861	15,602	1,377	1,427
Non-cash contributions					
Other		74	34	–	2,317
Subdivision Dedications (other than by s7.11)		–	–	4,599	32,952
Total other contributions – non-cash		74	34	4,599	35,269
Total other contributions		14,935	15,636	5,976	36,696
Total contributions		14,935	15,874	19,851	42,060
TOTAL GRANTS AND CONTRIBUTIONS		36,133	34,924	26,252	49,662

Accounting policy for grants and contributions**Accounting policy from 1 July 2019****Grant income under AASB 15**

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligation is satisfied.

The performance obligations are varied based on the agreement but include completion of a specified program or event. 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.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements, there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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.

Grant income

Assets arising from grants in the scope of AASB 1058 are recognised at the assets 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

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which are enforceable, 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 as there is no profit margin.

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

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*.

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 the Council may apply contributions according to the priorities established in work schedules

Accounting policy prior to 1 July 2019

Control over grants and contributions are normally obtained upon their receipt (or acquittal) and revenue is recognised at this time and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	1,112	1,554
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	1,797	447
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(889)
Add: operating grants received for the provision of goods and services in a future period	229	–
Less: operating grants received in a previous reporting period now spent and recognised as income	(1,051)	–
Unexpended and held as externally restricted assets (operating grants)	2,087	1,112
Capital grants		
Unexpended at the close of the previous reporting period	749	(63)
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	718
Less: capital grants recognised in a previous reporting period now spent	(316)	94
Add: capital grants received for the provision of goods and services in a future period	4,023	–
Less: capital grants received in a previous reporting period now spent and recognised as income	(433)	–
Unexpended and held as externally restricted assets (capital grants)	4,023	749
Contributions		
Unexpended at the close of the previous reporting period	41,845	43,360
Add: contributions recognised as income in the current period but not yet spent	22,712	7,671
Add: contributions received for the provision of goods and services in a future period	723	–
Less: contributions recognised in a previous reporting period now spent	(7,346)	(9,186)
Unexpended and held as externally restricted assets (contributions)	57,934	41,845

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB 15 2020	AASB 1058 2020
(g) Disaggregation of material revenue streams		
The following shows the revenue recognition pattern for the material revenue streams of Council.		
Revenue recognition at a point in time		
Rates and annual charges	–	165,451
Financial assistance grants	–	11,068
User charges and fees	17,271	–
Grant revenue and non-developer contributions	591	28,363
Developer contributions	–	13,875
Fines	–	2,458
Sale of goods	762	–
Other	–	660
	<u>18,624</u>	<u>221,875</u>
Revenue recognised over time		
Grant revenue	104	–
Grants to acquire or construct Council controlled assets	–	6,401
User charges and fees	18,251	–
Other	262	1,721
	<u>18,617</u>	<u>8,122</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	124	243
– Cash and investments	3,210	4,267
Fair value adjustments		
– Movements in investments at fair value through profit and loss	(38)	212
Total interest and investment revenue	3,296	4,722

Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	84,450	77,614
Travel expenses	–	10
Employee leave entitlements (ELE)	20,465	14,589
Superannuation – guarantee levy	8,277	7,328
Superannuation – defined benefit plans	1,579	1,626
Workers' compensation insurance	1,057	1,173
Fringe benefit tax (FBT)	151	143
Other	312	401
Total employee costs	116,291	102,884
Less: capitalised costs	(2,957)	(1,784)
TOTAL EMPLOYEE COSTS EXPENSED	113,334	101,100
Number of 'full-time equivalent' employees (FTE) at year end	1,188	1,067

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government 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 19 for more information.

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	1,391	1,756
Interest on leases	5	–
Other debts	9	–
Total interest bearing liability costs expensed	1,405	1,756
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
Amortisation of discounts and premiums: interest-free loan	–	42
Total other borrowing costs	–	42
TOTAL BORROWING COSTS EXPENSED	1,405	1,798

Accounting policy for borrowing costs

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	11,513	11,483
– Building and parks services	16,812	17,284
– Cleaning services	1,649	1,393
– Computer software maintenance	2,612	2,522
– Garbage services	7,940	7,677
– Organic services	3,145	4,198
– Recycling services	1,825	3,154
– Security services	1,023	1,050
– Sullage services	165	141
– Tipping services	12,552	2,020
Contractor and consultancy costs	17,306	18,155
Auditors remuneration ²	183	191
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	273
Operating leases expense (2020 only):		
Expenses from leases of low value assets (2020 only)	158	–
Legal expenses:		
– Legal expenses: planning and development	1,155	587
– Legal expenses: other	394	490
Total materials and contracts	78,432	70,618
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>78,432</u>	<u>70,618</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
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Accounting policy for materials and contracts

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

Operating leases (2019 only)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Office Equipment	–	273
	–	273

2. Auditor remuneration

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	141	137
Remuneration for audit and other assurance services	141	137

Total Auditor-General remuneration

141	137
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Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Audit and review of financial statements	42	54
Remuneration for audit and other assurance services	42	54

Total remuneration of non NSW Auditor-General audit firms

42	54
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Total Auditor remuneration

183	191
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		2,185	2,480
Office equipment		1,692	1,660
Furniture and fittings		782	544
Land improvements (depreciable)		2,587	2,638
Infrastructure:	10		
– Buildings		7,070	5,320
– Roads		12,182	12,296
– Stormwater drainage		2,602	2,523
– Other open space/recreational assets		524	–
– Other infrastructure		56	–
Right of use assets	14	72	–
Other assets:			
– Library books		420	236
– Other		23	23
Intangible assets	12	62	–
Total depreciation and amortisation costs		30,257	27,720
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>30,257</u>	<u>27,720</u>

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values where relevant, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are 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 that have an indefinite useful life, or are 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	214	187
Training costs (other than salaries and wages)	516	98
Bad and doubtful debts	24	58
Cost of sales	268	85
Contributions/levies to other levels of government		
– Department of planning levy	675	753
– Emergency services levy (includes FRNSW, SES, and RFS levies)	1,596	1,734
– Waste levy	2,876	5,046
– Other levies	449	626
Councillor expenses – mayoral fee	88	80
Councillor expenses – councillors' fees	463	444
Councillors' expenses (incl. mayor) – other (excluding fees above)		
– Telephone	32	27
– Training, conferences and seminars	36	43
– Other	14	9
District maintenance – Rural Fire Service	12	12
Donations, contributions and assistance to other organisations (Section 356)		
– Other donations and contributions	1,513	2,168
Electricity and heating	2,309	2,233
Infringement processing bureau	253	207
Insurance	2,855	1,843
Postage	308	344
Printing and stationery	720	547
Street lighting	4,759	3,918
Subscriptions and publications	645	558
Telephone and communications	1,061	1,251
Water rates and charges	892	955
Other	3,914	5,677
<u>TOTAL OTHER EXPENSES</u>	<u>26,492</u>	<u>28,903</u>

Accounting policy for other expenses

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

Prior year comparative adjustment

During the 2019/20 Financial Year expenses were reallocated within Note 5 Expenses from continuing operations, which include:

- Training costs which was reallocated from Notes 5a to 5e.
- Expenses included in note 5c (raw materials & consumables and contractor & consultancy) were reallocated to note 5e (advertising, cost of sales, postage, printing & stationery, subscriptions & publications, other).

Prior year figures were also reallocated accordingly to provide comparatives.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Infrastructure, property, plant and equipment	10		
Proceeds from disposal		5,022	5,816
Less: carrying amount of assets sold/written off		(6,026)	(4,580)
Net gain/(loss) on disposal		<u>(1,004)</u>	<u>1,236</u>
Investment property	11		
Proceeds from disposal – investment property		–	2,073
Less: carrying amount of investment property sold/written off		(367)	(5,095)
Net gain/(loss) on disposal		<u>(367)</u>	<u>(3,022)</u>
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		260,899	242,596
Less: carrying amount of investments sold/redeemed/matured		(260,899)	(242,596)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(1,371)</u>	<u>(1,786)</u>

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	3,388	1,672
Cash-equivalent assets		
– Deposits at call	4,828	3,326
– Short-term deposits	5,500	1,000
Total cash and cash equivalents	13,716	5,998

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
Financial assets at fair value through profit and loss	89,768	59,235	152,200	11,121
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	103,484	59,235	158,198	11,121
Financial assets at fair value through the profit and loss				
Debt securities at amortised cost	89,768	42,500	142,200	–
NCD's, FRN's (with maturities > 3 months)	–	15,344	10,000	9,590
Mortgage backed securities	–	1,391	–	1,531
Total	89,768	59,235	152,200	11,121

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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.

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 FRNs and NCDs in the Statement of Financial Position.

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	103,484	59,235	158,198	11,121
attributable to:				
External restrictions	18,671	59,235	67,462	11,121
Internal restrictions	82,775	–	87,408	–
Unrestricted	2,038	–	3,328	–
	103,484	59,235	158,198	11,121

\$ '000	Notes	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)		2,580	–
Specific purpose unexpended loans – general		–	5,899
External restrictions – included in liabilities		2,580	5,899

External restrictions – other

Developer contributions – general	3,27	50,381	41,755
RMS contributions	3	–	90
Specific purpose unexpended grants (recognised as revenue) – general fund	3	–	1,861
Stormwater management		1,599	1,256
Sullage reserve		259	120
Childcare		1,947	2,808
Waste and sustainability		103	30
Other		7,140	4,871
Domestic waste management		13,897	19,893
External restrictions – other		75,326	72,684
Total external restrictions		77,906	78,583

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments (continued)

\$ '000	Notes	2020	2019
Internal restrictions			
Plant and vehicle replacement		5,774	3,876
Employees leave entitlement		5,072	4,148
Deposits, retentions and bonds		14,129	10,892
Acquisition of land and buildings		13,856	21,228
Cemetery reserve		789	839
Children's services reserve		1,645	1,850
Election reserve		656	424
Financial Assistance Grant received in advance		5,501	4,292
Financial management		16,932	21,986
Infrastructure construction		4,703	6,374
Insurance reserve		6,013	4,808
Legal reserve		700	173
Revote reserve		2,327	1,270
Salary administration		43	55
Sustainability revolving fund		1,008	1,469
Voted works		409	564
Other		3,218	3,160
Total internal restrictions		<u>82,775</u>	<u>87,408</u>
TOTAL RESTRICTIONS		<u>160,681</u>	<u>165,991</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose					
Rates and annual charges		6,080	1,158	4,346	1,113
Interest and extra charges		356	481	403	499
User charges and fees		1,452	–	1,196	–
Accrued revenues					
– Interest on investments		307	–	690	–
– Other income accruals	13a	–	–	3,598	–
Deferred debtors		330	98	330	428
Government grants and subsidies		3,222	–	3,761	–
Net GST Receivable		1,330	–	1,600	–
Other debtors		5	–	1	–
Total		13,082	1,737	15,925	2,040
Less: provision of impairment					
Rates and annual charges		(246)	(385)	(230)	(356)
Interest and extra charges		(52)	(340)	(55)	(325)
User charges and fees		(195)	–	(195)	–
Total provision for impairment – receivables		(493)	(725)	(480)	(681)
<u>TOTAL NET RECEIVABLES</u>		<u>12,589</u>	<u>1,012</u>	<u>15,445</u>	<u>1,359</u>

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	1,161	1,258
+ new provisions recognised during the year	57	(97)
Balance at the end of the year	1,218	1,161

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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

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

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 20 years past due, whichever occurs first.

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

Due to the COVID-19 pandemic, debt recovery action ceased in January 2020 for land rates & debtors, as at 30 June 2020 the impact was evident but not material.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	631	–	738	–
Total inventories at cost	631	–	738	–
<u>TOTAL INVENTORIES</u>	<u>631</u>	<u>–</u>	<u>738</u>	<u>–</u>
(b) Other assets				
Prepayments	3,724	–	655	–
Refundable bonds paid by Council	4,741	–	2,632	–
<u>TOTAL OTHER ASSETS</u>	<u>8,465</u>	<u>–</u>	<u>3,287</u>	<u>–</u>

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Financial Statements
for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions New Assets ¹	Additions Renewals/ Upgrade Assets	Carrying value of disposals	Depreciation expense	Re-Class Adjustment	WIP Transfer/ Reclass	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000													
Capital work in progress	22,618	–	22,618	4,112	–	–	–	–	(22,618)	–	4,112	–	4,112
Plant and equipment	33,494	(21,908)	11,586	2,924	113	(1,038)	(2,185)	(141)	4,679	–	37,352	(21,414)	15,938
Office equipment	37,962	(28,687)	9,275	2,604	–	–	(1,692)	29	(93)	–	40,353	(30,230)	10,123
Furniture and fittings	9,123	(6,418)	2,705	615	171	–	(782)	38	2,584	–	12,623	(7,292)	5,331
Land:													
– Crown land	–	–	–	–	–	–	–	–	19,308	–	19,308	–	19,308
– Operational land	191,774	–	191,774	82	–	(4,720)	–	–	(7,724)	–	179,412	–	179,412
– Community land	210,011	–	210,011	23	9	(26)	–	–	(16,136)	–	193,881	–	193,881
– Land under roads (pre 1/7/08)	186,956	–	186,956	–	–	–	–	–	–	–	186,956	–	186,956
– Land under roads (post 30/6/08)	8,643	–	8,643	353	–	–	–	–	–	–	8,996	–	8,996
Land improvements – depreciable	40,508	(8,750)	31,758	2,555	134	–	(2,587)	–	300	–	41,708	(9,548)	32,160
Infrastructure:													
– Buildings	273,002	(72,213)	200,789	3,812	8,468	(169)	(7,070)	18	9,204	–	296,168	(81,116)	215,052
– Roads	1,139,429	(368,768)	770,661	9,558	10,009	–	(12,182)	–	3,647	86,884	1,316,505	(447,928)	868,577
– Bulk earthworks (non-depreciable)	3,328	–	3,328	31	–	–	–	–	1	–	3,360	–	3,360
– Stormwater drainage	383,948	(99,143)	284,805	4,886	491	–	(2,602)	–	585	218,715	724,571	(217,690)	506,881
– Other open space/recreational assets	–	–	–	173	1,675	(5)	(524)	56	5,512	–	9,899	(3,012)	6,887
– Other infrastructure	–	–	–	18	50	–	(56)	–	657	–	883	(214)	669
Other assets:													
– Library books	12,114	(10,438)	1,676	413	–	(68)	(420)	–	–	–	12,092	(10,491)	1,601
– Other	6,132	(983)	5,149	19	8	–	(23)	–	1	266	5,903	(483)	5,420
Total Infrastructure, property, plant and equipment	2,559,042	(617,308)	1,941,734	32,178	21,128	(6,026)	(30,123)	–	(93)	305,865	3,094,082	(829,418)	2,264,664

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Tfrs from/(to) investment properties	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	3,523	–	3,523	–	–	–	–	19,095	–	–	22,618	–	22,618
Plant and equipment	36,343	(21,448)	14,895	351	4,809	(1,907)	(2,480)	(4,082)	–	–	33,494	(21,908)	11,586
Office equipment	33,017	(27,011)	6,006	–	4,622	–	(1,660)	307	–	–	37,962	(28,687)	9,275
Furniture and fittings	9,252	(5,841)	3,411	1,147	1,506	–	(544)	(2,815)	–	–	9,123	(6,418)	2,705
Land:													
– Operational land	189,945	–	189,945	–	717	(2,564)	–	–	3,675	–	191,774	–	191,774
– Community land	204,176	–	204,176	–	5,836	–	–	–	–	–	210,011	–	210,011
– Land under roads (pre 1/7/08)	186,956	–	186,956	–	–	–	–	–	–	–	186,956	–	186,956
– Land under roads (post 30/6/08)	7,735	–	7,735	–	907	–	–	–	–	–	8,643	–	8,643
Land improvements – depreciable	37,500	(6,111)	31,389	6,372	1,751	–	(2,638)	(5,116)	–	–	40,508	(8,750)	31,758
Infrastructure:													
– Buildings	270,755	(66,834)	203,921	5,763	1,220	(35)	(5,320)	(4,760)	–	–	273,002	(72,213)	200,789
– Roads	1,110,329	(356,473)	753,856	8,676	23,053	–	(12,296)	(2,629)	–	–	1,139,429	(368,768)	770,661
– Bulk earthworks (non-depreciable)	3,328	–	3,328	–	–	–	–	–	–	–	3,328	–	3,328
– Stormwater drainage	370,174	(96,620)	273,554	–	13,774	–	(2,523)	–	–	–	383,948	(99,143)	284,805
Other assets:													
– Library books	12,075	(10,716)	1,359	–	627	(74)	(236)	–	–	–	12,114	(10,438)	1,676
– Other	6,053	(960)	5,093	3	83	–	(23)	–	–	(7)	6,132	(983)	5,149
Total Infrastructure, property, plant and equipment	2,481,161	(592,014)	1,889,147	22,312	58,905	(4,580)	(27,720)	–	3,675	(7)	2,559,042	(617,308)	1,941,734

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	15	Benches, seats etc.	15
Computer equipment	4		
Vehicles	5	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Transportation assets		Stormwater assets	
Roads Structure	100	Drains	100
Bridges	100	Culverts	100
Stormwater Pipes	200	Flood control structures	100
		Other infrastructure assets	
		Swimming pools	50
		Unsealed roads	20
		Other open space/recreational assets	20
		Other infrastructure	20

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

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

Land under roads

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

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

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

Crown reserves

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment (continued)

Rural Fire Service assets

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

These Rural Fire Service assets are recognised as assets of the Council in these financial statements and are recorded within the relevant classes.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Investment properties

	2020	2019
Owned investment property		
Investment property on hand at fair value	39,457	24,150
Total owned investment property	39,457	24,150
Reconciliation – owned investment property		
Reconciliation of annual movement:		
Opening balance	24,150	34,455
– Acquisitions	10,616	–
– Disposals during year	(367)	(5,095)
– Net gain/(loss) from fair value adjustments	5,058	(1,535)
– Transfers from/(to) owner occupied (Note 10)	–	(3,675)
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	39,457	24,150

Accounting policy for investment property

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 a separate line item.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Opening values at 1 July		
Gross book value	593	–
Accumulated amortisation	(500)	–
Net book value – opening balance	93	–
Movements for the year		
– Purchases	431	–
– Amortisation charges	(62)	–
Closing values at 30 June		
Gross book value	1,024	–
Accumulated amortisation	(562)	–
Total software – net book value	462	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>462</u>	<u>–</u>

Accounting policy for intangible assets

Intangible Asset value has been reclassified from Note 11 Infrastructure, Property, Plant and Equipment for 30 June 2020.

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
(a) Contract assets			
Other		3,645	–
Total Contract assets		3,645	–

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Unexpended capital grants (to construct Council controlled assets)	(i)	4,023	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	229	–
Unexpended capital contributions (to construct Council controlled assets)	(i)	77	–
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	1,208	–
Upfront fees and deposits	(iii)	4,607	–
Other		317	–
Total contract liabilities		10,461	–

Notes

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

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

(iii) User fees and charges received in advance include Development Applications and Inspection Fees which have been assessed as AASB 15 Contract with a Customer are recorded as a contract liability and recognised as revenue once the performance obligations have been met.

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Capital grants (to construct Council controlled assets)	433
Operating grants (received prior to performance obligation being satisfied)	138
Capital contributions (to construct Council controlled assets)	92
Operating contributions (received prior to performance obligation being satisfied)	82
Upfront fees and deposits	1,232
Other	317
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	2,294

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities (continued)

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

(i) Council as a lessee

Office and other equipment

Leases for office and other equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 4 and 5 years, the payments are fixed, however some of the leases include variable payments based on usage.

\$ '000	Plant & Equipment	Total
(a) Right of use assets		
Opening balance at 30 June 2019	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	196	196
Additions to right-of-use assets	77	77
Depreciation charge	(72)	(72)
<u>Right of Use Assets Balance at 30 June 2020</u>	<u>201</u>	<u>201</u>

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	71	128
<u>TOTAL LEASE LIABILITIES</u>	<u>71</u>	<u>128</u>

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	71	128	–	199	199

\$ '000	2020
---------	------

(c) Income Statement

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

Interest on lease liabilities	5
Variable lease payments based on usage not included in the measurement of lease liabilities	–
Income from sub-leasing right of use assets	–
Depreciation of right of use assets	72
Impairment of right of use assets	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

\$ '000	2020
Expenses relating to short-term leases	–
Expenses relating to low-value leases	158
Expenses relating to Peppercorn leases	–
	235

(d) Statement of Cash Flows

Total cash outflow for leases	235
	235

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

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

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

Exceptions to lease accounting

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

Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)

Refer to Note 5c

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties and plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note 11)

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

\$ '000	2020
(i) Operating lease income	
Lease income (excluding variable lease payments not dependent on an index or rate)	3,647
Lease income relating to variable lease payments not dependent on an index or a rate	233
Total income relating to operating leases	3,880
(ii) Operating lease expenses	
Direct operating expenses that generated rental income	2,973
Direct operating expenses that did not generate rental income	44
Total expenses relating to operating leases	3,017
(iii) Repairs and maintenance: investment property	
Refer to Note 20 Commitments for disclosure relating to any capital and service obligations that have been contracted.	
(iv) Maturity analysis of contractual lease income	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	1,504
1–2 years	1,449
2–3 years	1,305
3–4 years	1,208
4–5 years	508
> 5 years	886
Total undiscounted contractual lease income receivable	6,860

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 then 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.

Notes to the Financial Statements
for the year ended 30 June 2020

Note 15. Payables and borrowings

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Payables				
Government departments and agencies	659	–	204	–
Prepaid rates	2,628	–	–	–
Goods and services	6,447	–	3,180	–
Accrued expenses:				
– Salaries and wages	37	–	1,387	–
– Other expenditure accruals	6,914	–	8,981	–
Security bonds, deposits and retentions	8,605	6,354	6,115	7,616
Other	129	–	–	–
Total payables	25,419	6,354	19,867	7,616
Income received in advance (2019 only)				
Payments received in advance	–	–	1,240	–
Payments in advance of due date	–	–	2,531	–
Total income received in advance	–	–	3,771	–
Borrowings				
Loans – secured ¹	8,411	25,797	8,845	34,207
Interest-free government advances	–	–	1,366	–
Total borrowings	8,411	25,797	10,211	34,207
TOTAL PAYABLES AND BORROWINGS	33,830	32,151	33,849	41,823

(1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19.

\$ '000	2020	2019
(a) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	6,354	7,616
Total payables and borrowings	6,354	7,616

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	43,052	(8,844)	–	–	–	–	34,208
Interest-free government advances	1,366	(1,366)	–	–	–	–	–
Lease liabilities	–	199	–	–	–	–	199
TOTAL	44,418	(10,011)	–	–	–	–	34,407

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	47,741	(4,689)	–	–	–	43,052
Interest-free government advances	2,574	(1,208)	–	–	–	1,366
TOTAL	50,315	(5,897)	–	–	–	44,418

\$ '000	2020	2019
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(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ¹	520	520
Credit cards/purchase cards	550	700
Total financing arrangements	1,070	1,220

Undrawn facilities as at balance date:

– Bank overdraft facilities	1,038	520
– Credit cards/purchase cards	1,082	578
Total undrawn financing arrangements	2,120	1,098

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

Accounting policy for payables and borrowings

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.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	8,955	–	6,821	–
Sick leave	5,279	–	5,006	–
Long service leave	19,954	1,150	17,359	709
Gratuities	211	–	427	–
Other provisions				
Self insurance – workers compensation	87	–	–	–
Self insurance – public liability	785	–	596	–
Sub-total – other provisions	872	–	596	–
TOTAL PROVISIONS	35,271	1,150	30,209	709

\$ '000	2020	2019
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(a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employee benefits	25,620	21,349
	<u>25,620</u>	<u>21,349</u>

(b) Description of and movements in non-employee benefit provisions

\$ '000	Other provisions	
	Self insurance	Total
2020		
At beginning of year	596	596
Additional provisions	276	276
Total other provisions at end of year	<u>872</u>	<u>872</u>
2019		
Other	596	596
Total other provisions at end of year	<u>596</u>	<u>596</u>

Accounting policy for provisions

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 interest expense.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

Employee benefits

Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

The obligations are presented as current liabilities in the Statement of Financial Position if the 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.

Self-insurance

Council self-insures, to defined limits, for various risks, including public liability and professional indemnity, through its membership of the Local Government insurance pool CivicRisk Mutual. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

(b) Correction of errors relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(c) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

(ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements.
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.
- Income assessed under AASB 1058 Point in Time which had been accrued in 2018-19, has been adjusted in the opening balance eg. fine income.

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

Upfront fees

Prior to adopting AASB 15, the Council recognised membership joining fees on receipt. Under AASB 15, since the fees do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e the membership life).

Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Principal v agent**

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	648
– Under AASB 1058	(470)
Total Contract assets	178
Contract liabilities	
– Under AASB 15	(4,380)
– Under AASB 1058	(1,141)
Total Contract liabilities	(5,521)

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Receivables	12,589	3,645	–	16,234	
Contract assets	3,645	(3,645)	–	–	
Total current assets	128,814	–	–	128,814	
Current liabilities					
Income received in advance	–	5,521	–	5,521	
Contract liabilities	10,461	(5,521)	(4,940)	–	
Total current liabilities	79,633	–	(4,940)	74,693	
Net assets	2,388,033	–	4,940	2,392,973	
Equity					
Accumulated surplus	1,283,363	–	4,940	1,288,303	
Revaluation reserves	1,104,670	–	–	1,104,670	
Council equity interest	2,388,033	–	4,940	2,392,973	
Total equity	2,388,033	–	4,940	2,392,973	

Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Revenue ⁱ	281,085	(5,065)	10,005	286,025	
Other Revenue	(8)	–	–	(8)	
Expenses	251,291	–	–	251,291	
Profit/(Loss) for the Year	29,786	(5,065)	10,005	34,726	
Total comprehensive income	335,651	–	4,940	340,591	

(i) Difference in revenue between recognition on receipt under the old standards and as / when performance obligations are met under new standards.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Statement of Cash Flows for the year ended 30 June 2020

The adoption of AASB 15 and AASB 1058 has not materially changed the statement of cash flows for the year ended 30 June 2020.

Adjustments to the current year figures for the year ended 30 June 2020

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	4,288	470	4,758
Total assets	2,164,312	470	2,164,782
Contract liabilities	3,771	4,874	8,645
Total liabilities	106,590	4,874	111,464
Accumulated surplus	1,258,917	(5,344)	1,253,573
Total equity	2,057,722	(5,344)	2,053,318

(iii) AASB 16 Leases

Council as a lessee

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Financial statement impact of adoption of AASB 16**

Council has recognised right-of-use assets and lease liabilities of \$196,000 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 2.2%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	673
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	611
Add:	
Contracts not accounted for as operating lease commitments last year	80
Less:	
Leases for low-value assets included in commitments note	(499)
Lease liabilities recognised at 1 July 2019	<u>192</u>

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	196	196
Total assets	<u>2,164,312</u>	<u>196</u>	<u>2,164,508</u>
Payables – accrued interest on leases (30/6/2019)	–	–	–
Leases	–	192	192
Total liabilities	<u>106,590</u>	<u>192</u>	<u>106,782</u>
Accumulated surplus	1,258,917	4	1,258,921
Total equity	<u>2,057,722</u>	<u>4</u>	<u>2,057,726</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	13,716	5,998
Balance as per the Statement of Cash Flows		13,716	5,998
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		29,794	61,466
Adjust for non-cash items:			
Depreciation and amortisation		30,257	27,720
Net losses/(gains) on disposal of assets		1,371	1,786
Non-cash capital grants and contributions		(9,247)	(32,952)
Adoption of AASB 15/1058		(5,344)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		38	(212)
– Investment property		(5,058)	1,535
Share of net (profits)/losses of associates/joint ventures using the equity method		(428)	(721)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		2,816	(1,805)
Increase/(decrease) in provision for impairment of receivables		57	(97)
Decrease/(increase) in inventories		107	(5)
Decrease/(increase) in other current assets		(3,728)	(1,250)
Decrease/(increase) in contract assets		(3,645)	–
Increase/(decrease) in payables		3,267	363
Increase/(decrease) in other accrued expenses payable		(3,417)	(818)
Increase/(decrease) in other liabilities		669	4,324
Increase/(decrease) in contract liabilities		10,461	–
Increase/(decrease) in provision for employee benefits		5,227	1,119
Increase/(decrease) in other provisions		276	596
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		53,473	61,049
(c) Non-cash investing and financing activities			
Developer contributions ‘in kind’		9,247	32,952
Total non-cash investing and financing activities		9,247	32,952

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	428	721	7,250	8,280
Total	428	721	7,250	8,280

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

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

Council's consolidated financial statements also include controlled entities with ownership interest of 50% or less.

Name of Operation/Entity	Principal activity
Penrith Aquatic and Leisure Ltd	Pools and Gym Penrith Pool in Penrith and Ripples in St Marys

Interests in Subsidiary \$ '000	Ownership 2020	Ownership 2019	Voting rights 2020	Voting rights 2019
Council's interest in Subsidiary	0%	100%	0%	100%

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

Ripples transitioned from a wholly owned subsidiary to a separate business unit under Council during this financial year. All financial results now under Note 2 Council Functions and Activities.

Summarised financial information for the Subsidiary

\$ '000	2020	2019
Summarised statement of comprehensive income		
Revenue	–	4,760
Expenses	–	(6,058)
Profit for the period	–	(1,298)
Total comprehensive income ⁽¹⁾	–	(1,298)
Summarised statement of financial position		
Current assets	–	353
Non-current assets	–	153
Total assets	–	506
Current liabilities	–	1,089
Total liabilities	–	1,089
Net assets ⁽²⁾	–	(583)
Summarised statement of cash flows		
Cash flows from operating activities	–	107
Cash flows from investing activities	–	(20)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

Net increase (decrease) in cash and cash equivalents	–	87
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Penrith Performing and Visual Arts Ltd (PPVA) Cultural Penrith

Interests in Subsidiary \$ '000	Ownership 2020	Ownership 2019	Voting rights 2020	Voting rights 2019
Council's interest in Subsidiary	100%	100%	100%	100%

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

Council provided PPVA an amount of \$2.185m in subsidies during 2019-20. This subsidy is proposed to be \$2.241m in 2020-21.

Council will underwrite the operation of the PPVA for a period of 36 months from 1 July 2018 until 30 June 2021.

Summarised financial information for the Subsidiary

\$ '000	2020	2019
Summarised statement of comprehensive income		
Revenue	1,750	2,189
Expenses	(3,732)	(4,388)
Profit for the period	(1,982)	(2,199)
Total comprehensive income ⁽¹⁾	(1,982)	(2,199)
Summarised statement of financial position		
Current assets	1,200	989
Non-current assets	2,145	1,861
Total assets	3,345	2,850
Current liabilities	780	818
Non-current liabilities	221	158
Total liabilities	1,001	976
Net assets ⁽²⁾	2,344	1,874
Summarised statement of cash flows		
Cash flows from operating activities	429	(168)
Cash flows from investing activities	(69)	(179)
Net increase (decrease) in cash and cash equivalents	360	(347)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

Name of
Operation/Entity

Name of Operation/Entity	Principal activity
Penrith Whitewater Stadium Ltd (PWS)	Management of Whitewater Stadium, Rafting & Leisure Cranebrook

Interests in Subsidiary \$ '000	Ownership 2020	Ownership 2019	Voting rights 2020	Voting rights 2019
Council's interest in Subsidiary	100%	100%	100%	100%

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

Council's proposed subsidy for 2019-20 is \$570,000.

Council will underwrite the operation of the PWS for a period of 36 months from 1 July 2018 until 30 June 2021.

Summarised financial information for the Subsidiary

\$ '000	2020	2019
Summarised statement of comprehensive income		
Revenue	903	1,064
Expenses	(1,071)	(1,223)
Profit for the period	(168)	(159)
Total comprehensive income ⁽¹⁾	(168)	(159)
Summarised statement of financial position		
Current assets	225	211
Non-current assets	751	849
Total assets	976	1,060
Current liabilities	421	458
Total liabilities	421	458
Net assets ⁽²⁾	555	602
Summarised statement of cash flows		
Cash flows from operating activities	56	(1)
Cash flows from investing activities	–	(10)
Net increase (decrease) in cash and cash equivalents	56	(11)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

Accounting policy for subsidiaries

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

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

(b) Joint arrangements

(i) Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2020	2019
CivicRisk West	Joint venture	Equity	6,600	7,657
CivicRisk Mutual	Joint venture	Equity	650	623
Total carrying amounts – material joint ventures			7,250	8,280

(b) Details

	Principal activity	Place of business
CivicRisk West	Insurance	Penrith
CivicRisk Mutual	Insurance	Penrith

(c) Relevant interests and fair values

\$ '000	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019	2020	2019
CivicRisk West	6,600	7,657	15.7%	16.2%	15.7%	16.2%	7.7%	10.0%
CivicRisk Mutual	650	623	9.1%	9.0%	9.1%	9.0%	5.3%	6.0%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

(d) Summarised financial information for joint ventures

\$ '000	CivicRisk West		CivicRisk Mutual	
	2020	2019	2020	2019
Statement of financial position				
Current assets				
Cash and cash equivalents	14,665	2,961	6,177	1,813
Other current assets	15,584	27,419	5,924	7,216
Non-current assets	33,048	36,522	5,102	5,368
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	4,561	6,657	5,923	4,827
Other current liabilities	8,617	740	490	346
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	7,999	12,116	3,635	2,279
Net assets	42,120	47,389	7,155	6,945
Reconciliation of the carrying amount				
Opening net assets (1 July)	47,388	41,761	6,945	8,469
Profit/(loss) for the period	3,181	5,627	211	(1,524)
Dividends received	8,400	–	1,595	–
Closing net assets	58,969	47,388	8,751	6,945
Council's share of net assets (%)	15.7%	16.2%	9.1%	9.0%
Council's share of net assets (\$)	6,600	7,658	650	625
Statement of comprehensive income				
Income	7,969	6,275	14,679	11,320
Interest income	1,321	3,672	205	447
Interest expense	(18)	–	–	–
Other expenses	(6,091)	(4,320)	(14,673)	(13,291)
Profit/(loss) from continuing operations	3,181	5,627	211	(1,524)
Profit/(loss) for the period	3,181	5,627	211	(1,524)
Total comprehensive income	3,181	5,627	211	(1,524)
Share of income – Council (%)	12.6%	14.7%	13.0%	6.9%
Profit/(loss) – Council (\$)	401	827	27	(105)
Total comprehensive income – Council (\$)	401	827	27	(105)
Return of Equity received by Council	1,450	–	–	–
Summarised Statement of cash flows				
Cash flows from operating activities	(1,887)	2,439	1,614	2,904
Cash flows from investing activities	12,681	(2,500)	2,750	(2,250)
Net increase (decrease) in cash and cash equivalents	10,794	(61)	4,364	654

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Commitments

\$ '000	2020	2019
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(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	2,132	1,651
Plant and equipment	2,300	117
Roadworks	152	499
Other	2,783	2,382
Total commitments	7,367	4,649

These expenditures are payable as follows:

Within the next year	7,367	4,649
Total payable	7,367	4,649

Sources of funding of capital commitments:

Unrestricted general funds	7,367	4,649
Total sources of funding	7,367	4,649

Details of capital commitments

- Plant and Equipment Procurement
- Kingsway Sport Fields
- Soper Place Carpark and Commercial Project
- Jamison Park Synthetic Turf Playing Fields
- Penrith City Park
- Regatta Park Precinct
- Mulgoa Rise Amenity Extension

\$ '000	2020	2019
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(b) Non-cancellable operating lease commitments (2019 only)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	–	167
Later than one year and not later than 5 years	–	506
Total non-cancellable operating lease commitments	–	673

b. Non-cancellable operating leases include the following assets:

Refer to Note 15 for information relating to leases for 2020.

The above non-cancellable operating lease commitments relate to leases of office equipment - printers.

Conditions relating to finance and operating leases:

– All finance agreements are secured only against the leased asset.

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$1.32m. The last valuation of the Scheme was performed by Mercer Consulting on 30 June 2020, and covers the period ended 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$1,372,694. Council's expected contribution to the plan for the next annual reporting period is \$749,500.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

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

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

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers 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 around November/December 2020.

An employer's additional lump sum contribution per annum as a percentage of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2018 to 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer subgroup.

(ii) CivicRisk Mutual and CivicRisk West

Council is a member of CivicRisk Mutual and CivicRisk West, mutual pool schemes providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the funds 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 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

(iii) Bank Guarantee

Under the Workers Compensation Act 1987, participants of the Retro Paid Model are required to provide financial security to ensure that other employers in the State will not be required to meet the cost of claims if these entities are not able to meet their Workers Compensation liabilities. Council has also provided bank guarantees to the value of \$7,600 to the Department of Education for Out of School Hours facilities in Public Schools and \$541,668 to Sydney Water for a road realignment project.

- WorkCover NSW \$2,212,202
- WorkCover NSW \$2,212,202
- WorkCover NSW \$2,198,533
- Sydney Water \$ 541,668
- Department of Education \$3,801.70
- Department of Education \$3,801.70

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management

Risk management

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

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

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

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

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

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

(a) Market risk – price risk and interest rate risk

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.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in market values	139	139	(139)	(139)
Possible impact of a 1% movement in interest rates	1,627	1,627	(1,627)	(1,627)
2019				
Possible impact of a 10% movement in market values	153	153	(153)	(153)
Possible impact of a 1% movement in interest rates	1,693	1,693	(1,693)	(1,693)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

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

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

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

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 secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	2,082	3,079	549	838	690	7,238
2019						
Gross carrying amount	1,945	2,513	561	795	617	6,431

Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	3,009	4,078	21	24	449	7,581
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	43.42%	2.57%
ECL provision	–	–	–	–	195	195
2019						
Gross carrying amount	7,603	3,780	203	46	874	12,506
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	22.00%	1.54%
ECL provision	–	–	–	–	192	192

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

(c) Liquidity risk

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

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	14,959	–	–	–	14,959	29,145
Loans and advances	3.76%	–	9,102	19,241	6,404	34,747	34,208
Total financial liabilities		14,959	9,102	19,241	6,404	49,706	63,353
2019							
Trade/other payables	0.00%	13,731	14,278	–	–	28,009	27,483
Loans and advances	3.40%	–	11,604	24,855	9,892	46,351	44,418
Total financial liabilities		13,731	25,882	24,855	9,892	74,360	71,901

Loan agreement breaches

There have not been any breaches to loan agreements which have occurred during the reporting year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 24 June 2019 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements must disclose the original budget adopted by Council, the Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
User charges and fees	43,493	37,469	(6,024)	(14)% U
Material Budget Variations were identified in three areas, which includes revenue below original budgets: Childcare fees (-\$1.964m), Ripples Aquatic Centres (-\$1.191m) & Development related income (-\$1.448m). Ripples was mainly due to COVID-19 and facility closures.				
Other revenues	2,184	3,118	934	43% F
Material budget Variations were attributed to several areas performing greater than the original budgets for the year, they include: Fines - including parking (\$421,000), compliance/regulatory (\$397,000) and animals (\$59,000). Performance rebates were less than anticipated in original budget (-\$73,000).				
Capital grants and contributions	29,644	26,252	(3,392)	(11)% U
Material Budget Variations for Capital Grants and Contributions were recognised in several areas, they include: Roadworks Contribution (\$1,266m), s711 Contributions (\$5.02m), Capital Contribution Buildings (\$129,000) & Other Contributions (\$649,000) all greater than anticipated, as well as Subdivider Contributions (-\$9.4m) & Bushfire Grant (-\$1.147m) less than anticipated in the original budget.				
Interest and investment revenue	4,036	3,296	(740)	(18)% U
Material Budget Variations were identified in our areas, attributed to external factors. When original budgets were prepared for the financial year, it was not anticipated that the cash rate would continue to decline. The official cash rate reducing to as low as 0.25% at the start of March 2020. The optimum mix of Term Deposits and Floating Rate Notes held in the portfolio returned a good margin above both the cash rate and the benchmark 90 day Bank Bill Swap Rate (BBSW) throughout the year. The unrestricted portion of the portfolio was lower than originally estimated so the untied interest earned on the portfolio fell short of original budgets by (\$265,000) over the course of the year. Interest of s711 reserves was less than anticipated in the original budget by (-\$161,000) as well as interest on Extra Charges of (-\$76,000). Interest on security deposit not in original budget which resulted in a return of (\$57,000).				
Fair value increment on investment property	-	5,058	5,058	∞ F
Similar to prior years, an independent property valuer has been engaged to obtain fair values of investment properties. The revaluation resulted in (\$0.636m) decrement and (\$5.695m) increment in three and six properties respectively compared to 2018-19 values. This ultimately meant total increment of (\$5.058m) in 2019-20 financial year.				
Joint ventures and associates – net profits	50	428	378	756% F
The original budget for the share of profit in CivicRisk West & CivicRisk Mutual is set assuming the joint venture will return a small surplus. These results vary each year depending on the expenses incurred in managing insurance activities.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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EXPENSES

Borrowing costs	1,697	1,405	292	17%	F
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Material Budget Variations for Borrowing Costs was less than anticipated and derived from the consolidation of interest on domestic waste internal loan which wasn't included in the original budgets (\$237,000).

Other expenses	23,342	26,492	(3,150)	(13)%	U
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Material Budget Variations for Other Expenses were recognised in the Street Lighting Upgrade project which was not anticipated in the original budget (\$1m), Civic Risk accounts were greater than originally budgeted (\$1.627m).

Net losses from disposal of assets	486	1,371	(885)	(182)%	U
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The variance in asset disposals is due to several circumstances, these included, the sale of 46-50 Belmore St Penrith which was sold for (\$4.09m) which was valued at (\$4.72m) resulting in a loss of (\$630,000), as well as the Disposal of Library Books (\$68,000), Riding for Disable House which was flooded and demolished (\$169,000).

STATEMENT OF CASH FLOWS

Cash flows from operating activities	56,187	53,473	(2,714)	(5)%	U
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Material budget variations for the Cash Flow provided from operating activities is based on a number of assumptions which is difficult to accurately predict. Revenue from User Fees and Charges & Grants & Contributions were below original budgets & payments for Material and Contracts was below original assumptions although Other Expenses were higher than budgeted.

Cash flows from investing activities	(54,146)	(35,475)	18,671	(34)%	F
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A favourable result where the Council spent less than what was budgeted for the 2019/20 Financial Year. The significant variance between budgets and actuals can be attributed to less investment securities purchased, and decline in payments for infrastructure, property, plant and equipment. Due to COVID-19, the Council had to utilise some of its matured funds for operational and capital use; decreasing purchase of investment securities. Likewise, anticipated capital works for 2019/20 Financial Year did not fully eventuate, causing a decline in the actual amount spent for infrastructure, property, plant and equipment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

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

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

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that 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).

(1) Assets and liabilities that have been measured and recognised at fair values

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
2020					
Investment property					
Land and buildings	30/06/20	–	39,457	–	39,457
Total investment property		–	39,457	–	39,457
Infrastructure, property, plant and equipment					
Plant and equipment		–	–	15,938	15,938
Office equipment		–	–	10,123	10,123
Furniture and fittings		–	–	5,331	5,331
Crown Land		–	–	19,308	19,308
Operating land	30/06/18	–	–	179,412	179,412
Community land	30/06/16	–	–	193,881	193,881
Land under roads	30/06/16	–	–	195,952	195,952
Land improvements		–	–	32,160	32,160
Buildings	30/06/17	–	–	215,052	215,052
Roads, bridges, footpaths	30/06/20	–	–	871,937	871,937
Stormwater drainage	30/06/20	–	–	506,881	506,881
Other Open Space/Recreational Assets		–	–	6,887	6,887
Other Infrastructure		–	–	669	669
Library books		–	–	1,601	1,601
Other	30/06/18	–	–	5,420	5,420
Total infrastructure, property, plant and equipment		–	–	2,260,552	2,260,552

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Investment property					
Land and buildings	30/06/19	–	24,150	–	24,150
Total investment property		–	24,150	–	24,150
Infrastructure, property, plant and equipment					
Plant and equipment		–	–	11,586	11,586
Office equipment		–	–	9,274	9,274
Furniture and fittings		–	–	2,705	2,705
Crown Land		–	–	–	–
Operating land	30/06/18	–	–	191,774	191,774
Community land	30/06/16	–	–	210,011	210,011
Land under roads	30/06/16	–	–	195,599	195,599
Land improvements		–	–	31,758	31,758
Buildings	30/06/17	–	–	200,790	200,790
Roads, bridges, footpaths	30/06/15	–	–	770,660	770,660
Stormwater drainage	30/06/15	–	–	284,806	284,806
Other Open Space/Recreational Assets		–	–	–	–
Other Infrastructure		–	–	–	–
Library books		–	–	1,676	1,676
Other	30/06/18	–	–	5,149	5,149
Total infrastructure, property, plant and equipment		–	–	1,915,788	1,915,788

Note that capital WIP is not included above since it is carried at cost.

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

(3) Valuation techniques used to derive level 2 and level 3 fair values

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

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

Class	Fair value (30/06/20) \$'000	Valuation technique(s)	Unobservable Inputs
Investment Properties	39,457	Valuation obtained by registered valuer	Land value, land area, building condition

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

Infrastructure, property, plant and equipment (IPP&E)

Class	Fair value (30/06/20) \$'000	Valuation technique(s)	Unobservable Inputs
Plant & Equipment, Office Equipment, Furniture & Fittings	31,392	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Operational Land	179,412	Market-based direct comparison	Land value, land area, restrictions over use
Community Land	193,881	Land values obtained from the NSW Valuer-General	Land value, land area, restrictions over use
Crown Land	19,308	Land Values obtained from the NSW Valuer-General	Land Value, Land area, restrictions, over use
Land Under Roads	195,952	Unit rate based on Valuer-General average m2 price less Englobo discounting methodology	Extent and impact of use, market cost of land per square metre. The market value of land varies significantly depending on the location of the land and current market conditions.
Land Improvements – Depreciable	32,160	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value
Buildings	215,052	Market-based direct comparison	Asset condition, remaining lives
Roads	871,937	Unit rates per m2 or length	Asset condition, remaining lives
Stormwater Drainage	506,881	Unit rates per m2 or length	Asset condition, remaining lives
Library Books	1,601	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value

Notes to the Financial Statements
for the year ended 30 June 2020

Note 25. Related party disclosures

(a) Key management personnel

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.

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

\$ '000	2020	2019
Compensation:		
Short-term benefits (including annual leave)	2,692	3,121
Post-employment benefits	–	1,126
Other long-term benefits	119	137
Termination benefits	–	211
Total	2,811	4,595

(b) Other transactions with KMP and their related parties

Pre-amble

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000					
2020					
Contribution to Civic Risk Mutual	1,048	–	30-day terms on invoices	–	–
Contribution to Civic Risk West	721	–	30-day terms on invoices	–	–
Distribution of equity and revenue from Civic Risk	1,878	–		–	–
2019					
Contribution to Civic Risk Mutual	869	–	30-day terms on invoices	–	–
Contribution to Civic Risk West	719	–		–	–
Distribution of equity and revenue from Civic Risk	721	–		–	–

Notes to the Financial Statements
for the year ended 30 June 2020

Note 25. Related party disclosures (continued)

- 1 Director and Council is a Joint Venture partner
- 2 Director and Council is a Joint Venture partner
- 3 Council is involved in a joint venture for self-insurance purposes with Civic Risk West and Civic Risk Mutual. Council received a distribution of revenue and a distribution of equity in the current financial year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

At Council meeting 27 July 2020, Council has guaranteed a loan application of \$500,000 to Penrith Valley Regional Sports Stadium. The loan financed building improvements on land leased to Penrith Sports Stadium Ltd by Council until 10 October 2087.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions

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.

Summary of contributions and levies

	as at 30/06/19			as at 30/06/20				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Drainage	644	150	–	13	(192)	(4)	611	3,619
Roads	86	1,461	1,431	1	2,608	(19)	4,137	2,359
Open space	40,169	6,686	–	667	(2,917)	1	44,606	(4,218)
Community facilities	468	95	–	(22)	–	22	563	(917)
Other	388	751	–	(2)	(673)	–	464	(843)
S7.11 contributions – under a plan	41,755	9,143	1,431	657	(1,174)	–	50,381	–
Total S7.11 and S7.12 revenue under plans	41,755	9,143	1,431	657	(1,174)	–	50,381	–
Total contributions	41,755	9,143	1,431	657	(1,174)	–	50,381	–

S7.11 Contributions – under a plan

Civic Improvement Plan

Other	–	228	–	–	(228)	–	–	–
Total	–	228	–	–	(228)	–	–	–

Notes to the Financial Statements
for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Claremont Meadows								
Drainage	–	–	–	–	–	–	–	3,987
Roads	–	–	–	–	–	–	–	(652)
Open space	–	–	–	–	–	–	–	(323)
Community facilities	–	–	–	–	–	–	–	(1,615)
Other	–	–	–	–	–	–	–	(1,397)
Total	–	–	–	–	–	–	–	–
Cultural Facilities								
Other	–	423	–	–	(423)	–	–	–
Total	–	423	–	–	(423)	–	–	–
Erskine Business Park								
Drainage	644	–	–	16	(42)	(7)	611	(521)
Roads	–	–	–	(4)	–	4	–	286
Other	–	–	–	(3)	–	3	–	235
Total	644	–	–	9	(42)	–	611	–
Glenmore Park Stage 2								
Roads	59	–	–	2	–	(23)	38	(23)
Open space	288	8	–	26	(323)	1	–	(675)
Community facilities	–	5	–	(27)	–	22	–	698
Other	17	1	–	1	–	–	19	–
Total	364	14	–	2	(323)	–	57	–
Kingswood Neighbourhood Centre								
Other	118	–	–	2	–	–	120	–
Total	118	–	–	2	–	–	120	–

Notes to the Financial Statements
for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
Lambridge Estate									
Drainage	–	150	–	–	(150)	–	–	150	
Roads	–	264	–	–	(264)	–	–	2	
Open space	–	–	–	–	–	–	–	(152)	
Other	–	4	–	–	(4)	–	–	–	
Total	–	418	–	–	(418)	–	–	–	
Penrith City District Open Space									
Open space	35,426	4,085	–	536	(1,493)	–	38,554	(116)	
Other	170	51	–	1	(18)	–	204	116	
Total	35,596	4,136	–	537	(1,511)	–	38,758	–	
Penrith City Local Open Space									
Open space	2,795	1,123	–	42	(871)	–	3,089	(2)	
Other	42	13	–	1	–	–	56	2	
Total	2,837	1,136	–	43	(871)	–	3,145	–	
Waterside									
Roads	27	–	–	–	–	–	27	12	
Open space	171	–	–	3	–	–	174	(12)	
Other	41	–	–	1	–	–	42	–	
Total	239	–	–	4	–	–	243	–	
Werrington Enterprise Living and Learning (WELL)									
Drainage	–	–	–	(3)	–	3	–	3	
Roads	–	1,197	1,431	3	2,872	–	4,072	2,734	
Open space	1,489	1,470	–	60	(230)	–	2,789	(2,938)	
Community facilities	468	90	–	5	–	–	563	–	
Other	–	31	–	(5)	–	(3)	23	201	
Total ⁽¹⁾	1,957	2,788	1,431	60	2,642	–	7,447	–	

((1))Included in the Werrington Enterprise Living and Learning (WELL). Expenditure amount is a return of \$4,238,000 in relation to an unspent interest-free State Government loan initiative. The loan was originally intended to forward fund roadworks which became unfunded when the \$20,000 cap per dwelling was introduced.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(535)				
Total continuing operating revenue excluding capital grants and contributions ¹	249,385	(0.21)%	5.81%	7.13%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	213,252				
Total continuing operating revenue ¹	275,637	77.37%	70.76%	74.11%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	108,763				
Current liabilities less specific purpose liabilities	44,425	2.45x	3.07x	3.01x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	31,127				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	11,685	2.66x	3.30x	3.38x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	7,052				
Rates, annual and extra charges collectible	171,151	4.12%	3.37%	2.92%	<5.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	145,984				
Monthly payments from cash flow of operating and financing activities	19,368	7.54 mths	8.32 mths	7.58 mths	>3.00 mths

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Penrith City Council

To the Councillors of Penrith City Council

Opinion

I have audited the accompanying financial statements of Penrith City Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information. The financial statements include the consolidated financial statements of the Council and the entities it controlled at the year's end or from time to time during the year.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, 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).

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 23 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.



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2020
SYDNEY



Mayor
Penrith City Council
PO Box 60
PENRITH NSW 2751

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: D2019868/1777

30 September 2020

Dear Mayor

Report on the Conduct of the Audit
Audit for the year ended 30 June 2020
Penrith City Council

I have audited the general purpose financial statements (GPFS) of the Penrith City Council (the Council) for the year ended 30 June 2020 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 2020 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

	2020	2019*	Variance
	\$m	\$m	%
Rates and annual charges revenue	165.5	156.5	↑ 5.8
Grants and contributions revenue	62.4	84.6	↓ 26.2
Operating result from continuing operations	29.8	61.5	↓ 51.5
Net operating result before capital grants and contributions	3.5	11.8	↓ 70.3

Rates and annual charges revenue (\$165.5 million) increased by \$9.0 million (5.8 per cent) in 2019–20. Council had an approved 5.4 per cent special rate variation up from 5.2 in the prior year.

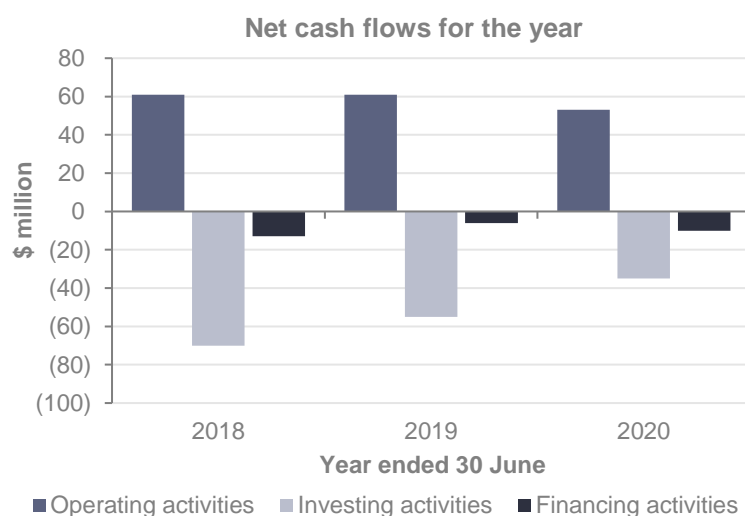
Grants and contributions revenue (\$62.4 million) decreased by \$22.2 million (26.2 per cent) in 2019–20 due to \$28.4 million decrease in subdivision dedications offset by other contributions.

Council’s operating result (\$29.8 million including the effect of depreciation and amortisation expense of \$30.3 million) was \$31.6 million lower than the 2018–19 result. This was mainly due to COVID-19 leading to lower user charges, fees and other revenues, while costs increased by 7.6 per cent.

The net operating result before capital grants and contributions (3.5 million) was \$8.3 million lower than the 2018–19 result.

STATEMENT OF CASH FLOWS

Cash balances increased from \$6.0 million to \$13.7 million at 30 June 2020. Net cash used in investing and financing activities reduced in the current year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	77.9	78.6	Externally restricted balances include developer contributions and domestic waste management charges.
Internal restrictions	82.8	87.4	
Unrestricted	2.0	3.3	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	162.7	169.3	

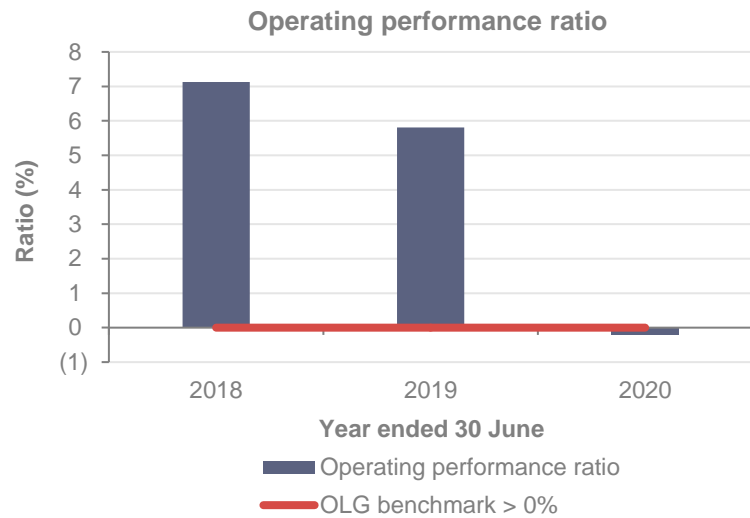
PERFORMANCE

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, Industry and Environment.

Operating performance ratio

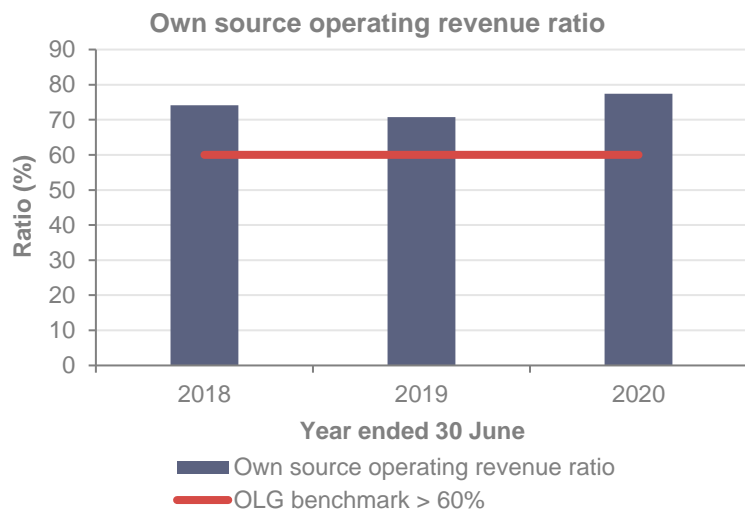
Council has not met this benchmark for 2019–20. The decrease is mainly due to COVID-19 leading to lower revenues from user charges, fees and other revenues. There were also some one-off costs in the current year. The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



Own source operating revenue ratio

Council continues to exceed the benchmark. The ratio fluctuates with movements in grants and contributions. The special rate variation has a positive impact on this ratio.

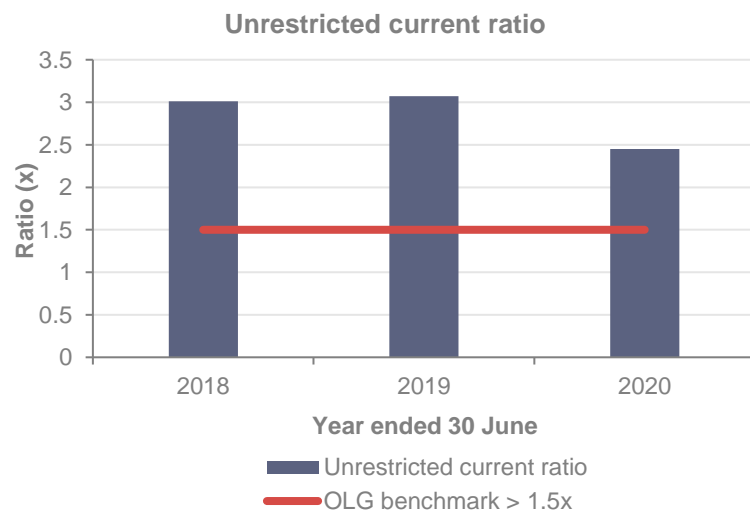
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continues to exceed the benchmark. The decrease is due to lower current investments balances.

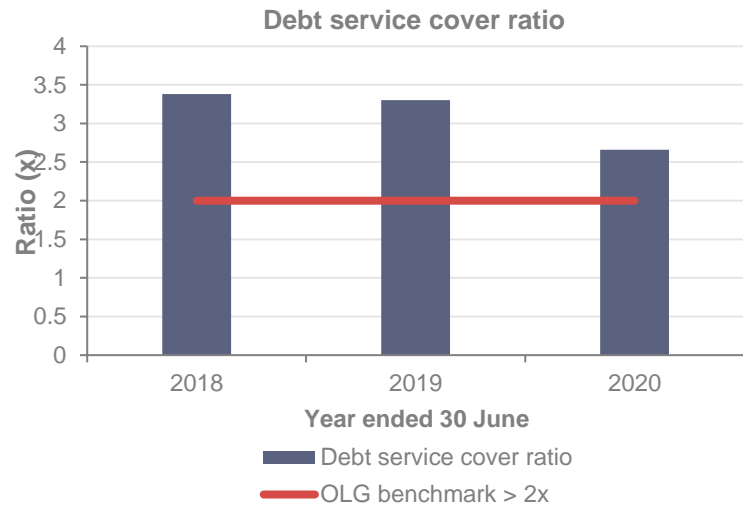
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council continues to exceed the benchmark due to repaying borrowings to reduce the outstanding balance, \$34.2 million at 30 June 2020 (\$44.4 million at 30 June 2019).

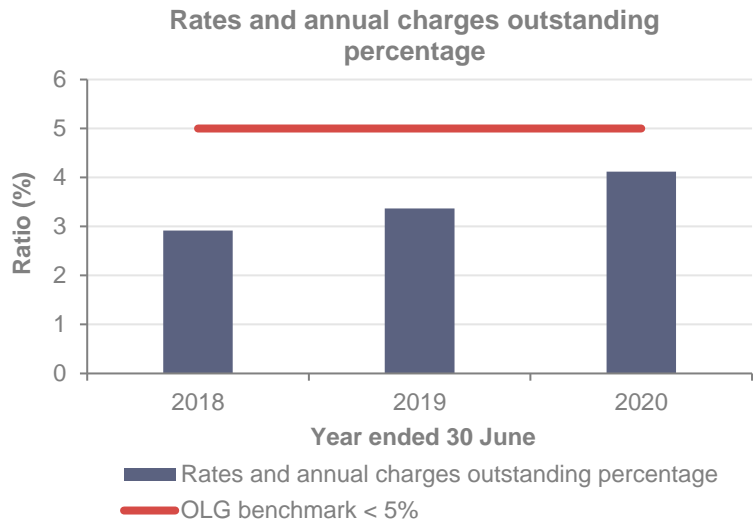
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding per centage

Council remains below the benchmark.

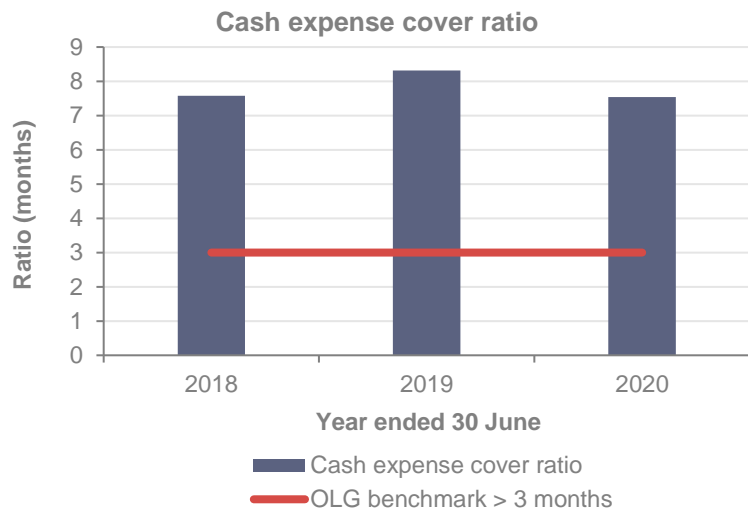
The 'rates and annual charges outstanding per centage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

Council continues to exceed the benchmark despite average monthly cash outflows increasing.

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's performance is as follows:

- asset renewals were \$21.1 million in 2019–20 compared to \$22.3 million in the prior year, \$8.5 million relating to buildings and \$10.0 million for road renewals
- during 2019–20, \$32.2 million was spent on new assets including \$9.6 million of roads infrastructure and \$4.9 million on stormwater drainage.

OTHER MATTERS

Impact of new accounting standards

AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$5.3 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 17.

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council recognised right-of-use assets of \$196,000 and lease liabilities of \$192,000 at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 17.

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.



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Penrith City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

*A sustainable and prosperous Regional City with a harmony
of urban and rural qualities.*

PENRITH
CITY COUNCIL

Special Purpose Financial Statements

for the year ended 30 June 2020

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Background

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

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2020

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:

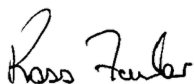
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 28 September 2020.



Clr Ross Fowler OAM
Mayor
28 September 2020



Clr Karen McKeown OAM
Deputy Mayor
28 September 2020



Warwick Winn
General Manager
28 September 2020



Neil Farquharson
Acting Responsible Accounting Officer
28 September 2020

Income Statement – Childcare

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	5,629	8,469
Grants and contributions provided for non-capital purposes	20,376	16,122
Other income	37	93
Total income from continuing operations	26,042	24,684
Expenses from continuing operations		
Employee benefits and on-costs	22,899	21,194
Materials and contracts	1,155	915
Calculated taxation equivalents	1,133	1,134
Debt guarantee fee (if applicable)	252	325
Imputed rental	40	170
Other expenses	1,089	1,264
Total expenses from continuing operations	26,568	25,002
Surplus (deficit) from continuing operations before capital amounts	(526)	(318)
Surplus (deficit) from continuing operations after capital amounts	(526)	(318)
Surplus (deficit) from all operations before tax	(526)	(318)
SURPLUS (DEFICIT) AFTER TAX	(526)	(318)
Plus accumulated surplus	6,962	5,561
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1,133	1,134
– Debt guarantee fees	252	325
– Imputed Rental	40	170
Add:		
– Subsidy paid/contribution to operations	1,060	90
Closing accumulated surplus	8,921	6,962
Subsidy from Council	526	318

Income Statement – Council pools
for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	3,725	4,753
Interest	–	7
Grants and contributions provided for non-capital purposes	3	–
Total income from continuing operations	3,728	4,760
Expenses from continuing operations		
Employee benefits and on-costs	5,241	4,495
Materials and contracts	1,058	856
Depreciation, amortisation and impairment	63	71
Calculated taxation equivalents	360	321
Debt guarantee fee (if applicable)	182	257
Other expenses	791	722
Total expenses from continuing operations	7,695	6,722
Surplus (deficit) from continuing operations before capital amounts	(3,967)	(1,962)
Surplus (deficit) from continuing operations after capital amounts	(3,967)	(1,962)
Surplus (deficit) from all operations before tax	(3,967)	(1,962)
SURPLUS (DEFICIT) AFTER TAX	(3,967)	(1,962)
Plus accumulated surplus	(17,003)	(16,874)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	360	321
– Debt guarantee fees	182	257
Add:		
– Subsidy paid/contribution to operations	–	1,150
Closing accumulated surplus	(20,428)	(17,108)
Return on capital %	(226.6)%	(1,282.4)%
Subsidy from Council	3,982	1,964

Income Statement – Property Development
for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	3,094	3,161
Interest	327	605
Profit from the sale of assets	–	1,573
Total income from continuing operations	3,421	5,339
Expenses from continuing operations		
Employee benefits and on-costs	1,805	1,352
Borrowing costs	144	156
Materials and contracts	900	1,770
Depreciation, amortisation and impairment	237	212
Calculated taxation equivalents	1,344	1,380
Debt guarantee fee (if applicable)	29	29
Other expenses	592	447
Total expenses from continuing operations	5,051	5,346
Surplus (deficit) from continuing operations before capital amounts	(1,630)	(7)
Surplus (deficit) from continuing operations after capital amounts	(1,630)	(7)
Surplus (deficit) from all operations before tax	(1,630)	(7)
SURPLUS (DEFICIT) AFTER TAX	(1,630)	(7)
Plus accumulated surplus	30,347	29,055
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1,434	1,380
– Debt guarantee fees	29	29
Less:		
– Dividend paid	(110)	(110)
Closing accumulated surplus	30,070	30,347
Return on capital %	(1.7)%	0.2%
Subsidy from Council	2,247	933

Income Statement – Whitewater

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	903	1,063
Interest	–	1
Grants and contributions provided for non-capital purposes	120	–
Total income from continuing operations	1,023	1,064
Expenses from continuing operations		
Employee benefits and on-costs	559	642
Materials and contracts	75	82
Depreciation, amortisation and impairment	98	103
Other expenses	339	395
Total expenses from continuing operations	1,071	1,222
Surplus (deficit) from continuing operations before capital amounts	(48)	(158)
Surplus (deficit) from continuing operations after capital amounts	(48)	(158)
Surplus (deficit) from all operations before tax	(48)	(158)
SURPLUS (DEFICIT) AFTER TAX	(48)	(158)
Plus accumulated surplus	602	835
Add:		
Closing accumulated surplus	554	677
Return on capital %	(6.4)%	(18.6)%
Subsidy from Council	55	169

Income Statement – Penrith Performing and Visual Arts Ltd

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	1,182	1,489
Interest	9	14
Grants and contributions provided for non-capital purposes	2,743	2,813
Total income from continuing operations	3,934	4,316
Expenses from continuing operations		
Employee benefits and on-costs	2,409	2,683
Materials and contracts	858	1,218
Depreciation, amortisation and impairment	103	83
Calculated taxation equivalents	85	100
Imputed rental	380	581
Other expenses	363	404
Total expenses from continuing operations	4,198	5,069
Surplus (deficit) from continuing operations before capital amounts	(264)	(753)
Surplus (deficit) from continuing operations after capital amounts	(264)	(753)
Surplus (deficit) from all operations before tax	(264)	(753)
SURPLUS (DEFICIT) AFTER TAX	(264)	(753)
Plus accumulated surplus	2,144	175
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	85	100
– Imputed rental	380	581
Add:		
– Subsidy paid/contribution to operations	–	2,127
Closing accumulated surplus	2,345	2,230
Return on capital %	(12.6)%	(40.5)%
Subsidy from Council	282	778

Income Statement – Cemeteries

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
Interest	14	21
User charges	658	719
Total income from continuing operations	672	740
Expenses from continuing operations		
Employee benefits and on-costs	397	426
Materials and contracts	318	309
Depreciation, amortisation and impairment	10	11
Other expenses	83	76
Total expenses from continuing operations	808	822
Surplus (deficit) from continuing operations before capital amounts	(136)	(82)
Grants and contributions provided for capital purposes	(4)	–
Surplus (deficit) from continuing operations after capital amounts	(140)	(82)
Surplus (deficit) from all operations before tax	(140)	(82)
SURPLUS (DEFICIT) AFTER TAX	(140)	(82)
Plus accumulated surplus	(442)	(360)
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	(582)	(442)
Return on capital %	(44.7)%	(26.2)%
Subsidy from Council	139	86

Income Statement – Tennis courts

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	40	39
Total income from continuing operations	40	39
Expenses from continuing operations		
Employee benefits and on-costs	31	27
Materials and contracts	1	20
Depreciation, amortisation and impairment	87	87
Other expenses	25	27
Total expenses from continuing operations	144	161
Surplus (deficit) from continuing operations before capital amounts	(104)	(122)
Surplus (deficit) from continuing operations after capital amounts	(104)	(122)
Surplus (deficit) from all operations before tax	(104)	(122)
SURPLUS (DEFICIT) AFTER TAX	(104)	(122)
Plus accumulated surplus	(733)	(611)
Closing accumulated surplus	(837)	(733)
Return on capital %	(3.8)%	(4.3)%
Subsidy from Council	128	159

Income Statement – St Clair Recreation Centre
for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	6	151
Total income from continuing operations	6	151
Expenses from continuing operations		
Employee benefits and on-costs	137	181
Materials and contracts	19	32
Depreciation, amortisation and impairment	9	11
Imputed rental	21	33
Other expenses	72	25
Total expenses from continuing operations	258	282
Surplus (deficit) from continuing operations before capital amounts	(252)	(131)
Surplus (deficit) from continuing operations after capital amounts	(252)	(131)
Surplus (deficit) from all operations before tax	(252)	(131)
SURPLUS (DEFICIT) AFTER TAX	(252)	(131)
Plus accumulated surplus	(5,295)	(5,197)
Plus adjustments for amounts unpaid:		
- Imputed rental	-	33
Closing accumulated surplus	(5,547)	(5,295)
Return on capital %	(933.3)%	(363.9)%
Subsidy from Council	252	131

Income Statement – Halls

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	705	941
Interest	1	25
Grants and contributions provided for non-capital purposes	1	23
Total income from continuing operations	707	989
Expenses from continuing operations		
Employee benefits and on-costs	810	766
Materials and contracts	574	688
Depreciation, amortisation and impairment	770	777
Other expenses	390	393
Total expenses from continuing operations	2,544	2,624
Surplus (deficit) from continuing operations before capital amounts	(1,837)	(1,635)
Surplus (deficit) from continuing operations after capital amounts	(1,837)	(1,635)
Surplus (deficit) from all operations before tax	(1,837)	(1,635)
SURPLUS (DEFICIT) AFTER TAX	(1,837)	(1,635)
Plus accumulated surplus	(8,653)	(7,018)
Closing accumulated surplus	(10,490)	(8,653)
Return on capital %	(7.2)%	(6.3)%
Subsidy from Council	2,062	1,979

Income Statement – Contestable Services

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	201	420
Total income from continuing operations	<u>201</u>	<u>420</u>
Expenses from continuing operations		
Employee benefits and on-costs	460	372
Materials and contracts	3	2
Other expenses	178	95
Total expenses from continuing operations	<u>641</u>	<u>469</u>
Surplus (deficit) from continuing operations before capital amounts	(440)	(49)
Surplus (deficit) from continuing operations after capital amounts	(440)	(49)
Surplus (deficit) from all operations before tax	(440)	(49)
SURPLUS (DEFICIT) AFTER TAX	<u>(440)</u>	<u>(49)</u>
Plus accumulated surplus	1,159	1,208
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	<u>719</u>	<u>1,159</u>
Subsidy from Council	440	49

Statement of Financial Position – Childcare
as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Investments	1,694	987
Receivables	39	766
Total current assets	1,733	1,753
Non-current assets		
Other	7,438	5,807
Total non-current assets	7,438	5,807
TOTAL ASSETS	9,171	7,560
LIABILITIES		
Current liabilities		
Payables	250	598
Total current liabilities	250	598
TOTAL LIABILITIES	250	598
NET ASSETS	8,921	6,962
EQUITY		
Accumulated surplus	8,921	6,962
<u>TOTAL EQUITY</u>	<u>8,921</u>	<u>6,962</u>

Statement of Financial Position – Council pools

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	615	200
Receivables	102	110
Inventories	–	35
Other	–	8
Total current assets	717	353
Non-current assets		
Infrastructure, property, plant and equipment	1,751	153
Total non-current assets	1,751	153
TOTAL ASSETS	2,468	506
LIABILITIES		
Current liabilities		
Contract liabilities	128	–
Payables	20	354
Income received in advance	–	290
Provisions	–	401
Total current liabilities	148	1,045
Non-current liabilities		
Other Liabilities	22,748	16,569
Total non-current liabilities	22,748	16,569
TOTAL LIABILITIES	22,896	17,614
NET ASSETS	(20,428)	(17,108)
EQUITY		
Accumulated surplus	(20,428)	(17,108)
TOTAL EQUITY	(20,428)	(17,108)

Statement of Financial Position – Property Development

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Investments	17,559	25,245
Other	32	20
Total current assets	17,591	25,265
Non-current assets		
Infrastructure, property, plant and equipment	86,462	81,946
Total non-current assets	86,462	81,946
TOTAL ASSETS	104,053	107,211
LIABILITIES		
Current liabilities		
Payables	117	56
Borrowings	1,070	778
Provisions	–	(1)
Total current liabilities	1,187	833
Non-current liabilities		
Borrowings	860	1,451
Total non-current liabilities	860	1,451
TOTAL LIABILITIES	2,047	2,284
NET ASSETS	102,006	104,927
EQUITY		
Accumulated surplus	30,070	30,347
Revaluation reserves	71,936	74,580
TOTAL EQUITY	102,006	104,927

Statement of Financial Position – Whitewater
as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	120	33
Investments	81	118
Receivables	11	40
Inventories	12	20
Total current assets	224	211
Non-current assets		
Infrastructure, property, plant and equipment	751	848
Other	–	76
Total non-current assets	751	924
TOTAL ASSETS	975	1,135
LIABILITIES		
Current liabilities		
Contract liabilities	79	–
Payables	65	59
Income received in advance	–	90
Provisions	277	309
Total current liabilities	421	458
TOTAL LIABILITIES	421	458
NET ASSETS	554	677
EQUITY		
Accumulated surplus	554	677
TOTAL EQUITY	554	677

Statement of Financial Position – Penrith Performing and Visual Arts Ltd

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	60	4
Investments	1,177	873
Receivables	(100)	31
Inventories	11	10
Other	53	72
Total current assets	1,201	990
Non-current assets		
Infrastructure, property, plant and equipment	2,095	1,861
Other	50	354
Total non-current assets	2,145	2,215
TOTAL ASSETS	3,346	3,205
LIABILITIES		
Current liabilities		
Contract liabilities	489	–
Payables	160	192
Income received in advance	–	501
Provisions	131	124
Total current liabilities	780	817
Non-current liabilities		
Provisions	221	158
Total non-current liabilities	221	158
TOTAL LIABILITIES	1,001	975
NET ASSETS	2,345	2,230
EQUITY		
Accumulated surplus	2,345	2,230
TOTAL EQUITY	2,345	2,230

Statement of Financial Position – Cemeteries

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Investments	817	942
Total current assets	817	942
Non-current assets		
Infrastructure, property, plant and equipment	304	313
Total non-current assets	304	313
TOTAL ASSETS	1,121	1,255
LIABILITIES		
Current liabilities		
Provisions	–	(4)
Total current liabilities	–	(4)
Non-current liabilities		
Other Liabilities	1,703	1,701
Total non-current liabilities	1,703	1,701
TOTAL LIABILITIES	1,703	1,697
NET ASSETS	(582)	(442)
EQUITY		
Accumulated surplus	(582)	(442)
TOTAL EQUITY	(582)	(442)

Statement of Financial Position – Tennis courts

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	10	9
Receivables	9	98
Total current assets	19	107
Non-current assets		
Infrastructure, property, plant and equipment	2,759	2,825
Total non-current assets	2,759	2,825
TOTAL ASSETS	2,778	2,932
LIABILITIES		
Current liabilities		
Payables	1	–
Provisions	–	1
Total current liabilities	1	1
Non-current liabilities		
Other Liabilities	3,614	3,664
Total non-current liabilities	3,614	3,664
TOTAL LIABILITIES	3,615	3,665
NET ASSETS	(837)	(733)
EQUITY		
Accumulated surplus	(837)	(733)
TOTAL EQUITY	(837)	(733)

Statement of Financial Position – St Clair Recreation Centre

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	27	36
Total non-current assets	<u>27</u>	<u>36</u>
TOTAL ASSETS	<u>27</u>	<u>36</u>
LIABILITIES		
Current liabilities		
Payables	3	–
Provisions	–	2
Total current liabilities	<u>3</u>	<u>2</u>
Non-current liabilities		
Other Liabilities	5,571	5,329
Total non-current liabilities	<u>5,571</u>	<u>5,329</u>
TOTAL LIABILITIES	<u>5,574</u>	<u>5,331</u>
NET ASSETS	<u>(5,547)</u>	<u>(5,295)</u>
EQUITY		
Accumulated surplus	(5,547)	(5,295)
TOTAL EQUITY	<u>(5,547)</u>	<u>(5,295)</u>

Statement of Financial Position – Halls

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	232	202
Investments	45	44
Receivables	10	10
Total current assets	287	256
Non-current assets		
Infrastructure, property, plant and equipment	25,512	26,080
Total non-current assets	25,512	26,080
TOTAL ASSETS	25,799	26,336
LIABILITIES		
Current liabilities		
Contract liabilities	8	–
Payables	36	27
Income received in advance	–	6
Provisions	–	7
Total current liabilities	44	40
Non-current liabilities		
Other Liabilities	36,245	34,949
Total non-current liabilities	36,245	34,949
TOTAL LIABILITIES	36,289	34,989
NET ASSETS	(10,490)	(8,653)
EQUITY		
Accumulated surplus	(10,490)	(8,653)
TOTAL EQUITY	(10,490)	(8,653)

Statement of Financial Position – Contestable Services

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Non-current assets		
Other	720	1,160
Total non-current assets	<u>720</u>	<u>1,160</u>
TOTAL ASSETS	<u>720</u>	<u>1,160</u>
LIABILITIES		
Current liabilities		
Payables	1	1
Total current liabilities	<u>1</u>	<u>1</u>
TOTAL LIABILITIES	<u>1</u>	<u>1</u>
NET ASSETS	<u>719</u>	<u>1,159</u>
EQUITY		
Accumulated surplus	719	1,159
TOTAL EQUITY	<u>719</u>	<u>1,159</u>

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Declared business activities

Category 1

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

Childcare

Council operates a number of children's centres and includes the transactions associated with these centres in its consolidated fund. The centres include 18 providing long day care services, 11 providing before and after school care services, 1 occasional care service and 5 preschool services. The Penrith City Children's Services Co-operative, established in January 2003, manages the Children's Centres (excluding the Glenmore Park Child & Family Centre) through a delegation under S377 of the Local Government Act 1993.

Council Pools

Includes all activities conducted at Ripples Aquatic Centre (such as gymnasium and aerobics). Penrith Pool is also included. The business activity is considered to be a tenant.

Property Development

The purchase, development, rental, and management of real estate. Almost all assets would have dual purposes of revenue generation and community service. Community service purposes include preventing inappropriate development, attracting business into the region and providing shopping facilities to new estates (when the population does not yet support profitable trading).

Penrith Performing and Visual Arts Limited

During 2006-07 the Penrith Regional Gallery and Lewers Bequest was joined with the Joan Sutherland Performing Arts Centre to be managed by a revised company structure named Penrith Performing and Visual Arts Limited. This new entity provides gallery, theatre, function and educational facilities. The centres organise activities and also provide for hire of venues. Many items, and in particular, the educational programs are community services. The venues are provided to community groups at a discounted rental. The business is a tenant and a market rental has been estimated.

Category 2

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

Whitewater Stadium

Penrith Whitewater Stadium provides whitewater canoe slalom facilities for competition, training and recreation purposes.

Cemeteries

Provides for burials and for interment of ashes. The land on which these operations are conducted are owned by trusts and Council is the manager of the trusts. The management function is considered a business activity. No rental charge of the land has been imputed.

Tennis Courts

Tennis Courts are managed under various structures.

St Clair Recreation Centre

Indoor sporting and gymnastics facilities.

Halls

39 Halls may be hired and are managed under various structures. Catering services is not available from Council.

Contestable Services

Services that can be provided by either Council or other businesses.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars.

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Company income tax rate – **27.5%** Lower company tax rate for base rate entities under the \$50m threshold.

Land tax – the first \$734,000 of combined land values attracts **0%**. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Department of Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the DoI – Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the DoI – Water guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

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 company income tax rate, currently 27.5%.

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

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

The rate applied of 27.5% 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 payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when 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.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of 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 0.88% at 30/6/20.

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Penrith City Council

To the Councillors of Penrith City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Penrith City Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Childcare
- Council pools
- Property Development
- Whitewater
- Penrith Performing and Visual Arts Ltd
- Cemeteries
- Tennis courts
- St Clair Recreation Centre
- Halls
- Contestable Services.

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 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 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 2020 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 Note 1 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.



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2020
SYDNEY

Penrith City Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

*A sustainable and prosperous Regional City with a harmony
of urban and rural qualities.*

PENRITH
CITY COUNCIL

Special Schedules

for the year ended 30 June 2020

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1 Special Schedules are not audited (with the exception of Permissible income for general rates).

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	128,469	119,090
Plus or minus adjustments ²	b	1,060	2,781
Notional general income	c = a + b	129,529	121,871
Permissible income calculation			
Special variation percentage ³	d	2.60%	5.40%
Plus special variation amount	h = d x (c + g)	3,368	6,581
Sub-total	k = (c + g + h + i + j)	132,897	128,452
Plus (or minus) last year's carry forward total	l	1	1
Less valuation objections claimed in the previous year	m	(71)	(54)
Sub-total	n = (l + m)	(70)	(53)
Total permissible income	o = k + n	132,827	128,399
Less notional general income yield	p	132,655	128,469
Catch-up or (excess) result	q = o - p	172	(70)
Plus income lost due to valuation objections claimed ⁴	r	-	71
Carry forward to next year ⁶	t = q + r + s	172	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.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the 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

Penrith City Council

To the Councillors of Penrith City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Penrith City Council (the Council) for the year ending 30 June 2021.

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 – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2020 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 2020.

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.



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2020
SYDNEY

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
(a) Report on Infrastructure Assets - Values													
Buildings	Buildings	4,539	4,539	7,273	7,387	215,052	543,788	9.1%	74.5%	15.5%	0.8%	0.0%	
	Sub-total	4,539	4,539	7,273	7,387	215,052	543,788	9.1%	74.5%	15.5%	0.8%	0.0%	
Roads	Sealed roads	18,875	18,875	17,311	16,543	549,126	692,516	11.0%	54.0%	30.0%	4.0%	1.0%	
	Unsealed roads	–	–	–	88	2,505	4,653	2.0%	20.0%	60.0%	10.0%	8.0%	
	Bridges	–	–	–	1	44,962	74,719	46.0%	16.0%	15.0%	23.0%	0.0%	
	Footpaths	767	767	900	2,224	62,538	135,175	18.0%	35.0%	45.0%	1.0%	1.0%	
	Other road assets	–	–	915	1,248	209,446	392,674	12.0%	33.0%	41.0%	10.0%	4.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	19,642	19,642	19,126	20,104	871,937	1,299,737	14.0%	43.4%	34.1%	6.6%	1.9%	
Stormwater drainage	Stormwater drainage	–	–	1,992	2,103	506,881	724,570	12.0%	33.0%	41.0%	10.0%	4.0%	
	Sub-total	–	–	1,992	2,103	506,881	724,570	12.0%	33.0%	41.0%	10.0%	4.0%	
TOTAL - ALL ASSETS		24,181	24,181	28,391	29,594	1,601,426	2,568,095	12.4%	47.0%	32.1%	6.3%	2.1%	

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	20,693	92.24%	71.69%	48.39%	>=100.00%
Depreciation, amortisation and impairment	22,434				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	24,181	1.51%	1.67%	1.13%	<2.00%
Net carrying amount of infrastructure assets	1,601,426				
Asset maintenance ratio					
Actual asset maintenance	29,594	104.24%	98.29%	99.26%	>100.00%
Required asset maintenance	28,391				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	24,181	0.94%	1.00%	1.22%	
Gross replacement cost	2,568,095				

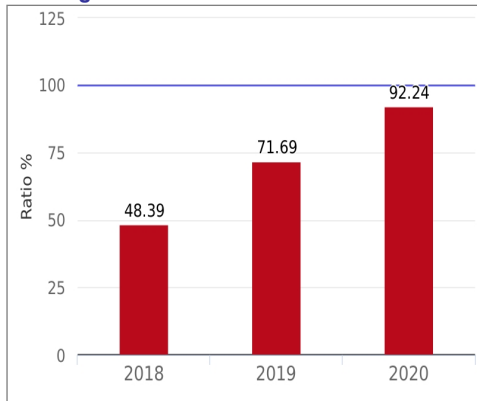
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

(2) 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.

Report on Infrastructure Assets (continued)
as at 30 June 2020

Buildings and infrastructure renewals ratio



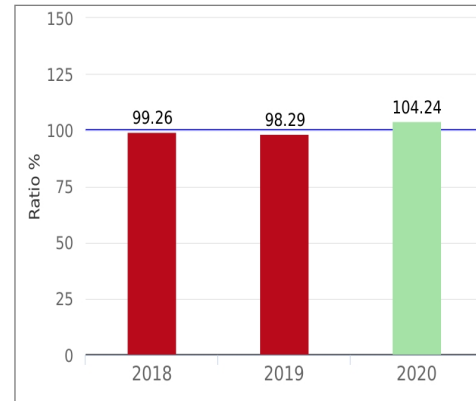
Buildings and infrastructure renewals ratio

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

Commentary on result	
19/20 ratio	92.24%

Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

Asset maintenance ratio



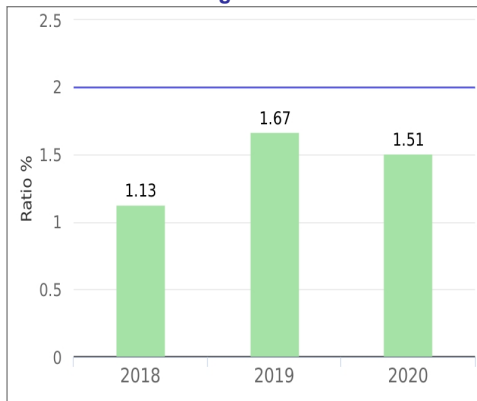
Asset maintenance ratio

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	
19/20 ratio	104.24%

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

Infrastructure backlog ratio



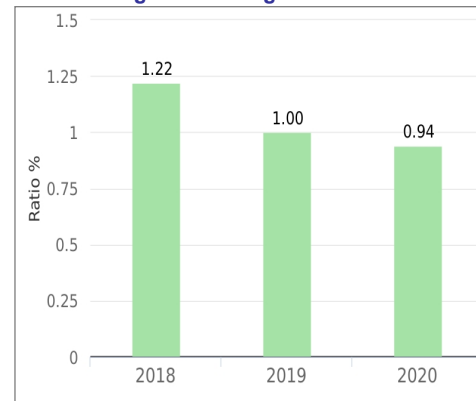
Infrastructure backlog ratio

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

Commentary on result	
19/20 ratio	1.51%

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ 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	
19/20 ratio	0.94%